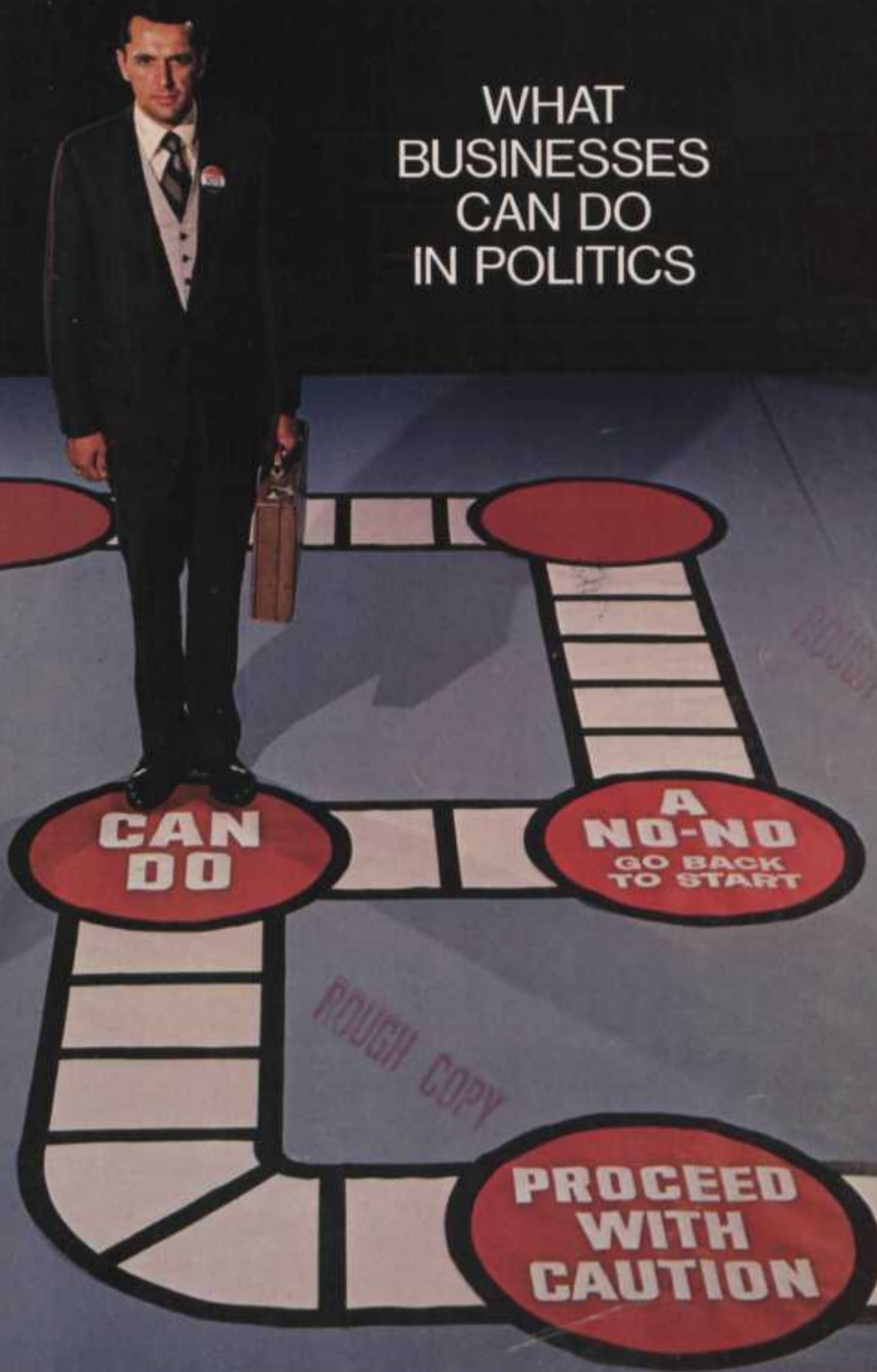


A USEFUL LOOK AHEAD FROM WASHINGTON

AUGUST 1972

Nation's Business

WHAT
BUSINESSES
CAN DO
IN POLITICS



When Jaguar XJ6 was named by *Road & Track* magazine as one of the ten best cars in the world, it came as no surprise to us.

That is *exactly* what we intended. We sought *excellence*—a rare quality in today's production-line world.

COMFORT

In a showroom, virtually every car is comfortable. Many makers use "showroom impression" as one of their criteria. Comfort is far more elusive, however, after a half-dozen hours at 60 or 70 mph.

That's why the seats of the XJ6 are designed to support the human anatomy at four vital points. Instead of being engulfed by the seat, you are supported by it. Correctly. Firmly.

A mark of the seats' interior construction is revealed by their exterior—you sit on first-grade English leather, hand-cut, hand-fitted and carefully matched for grain.

The fascia is hand-finished in gnarled walnut. It houses an array of instruments arranged with superb logic. A slight dip of your eyes reveals your road speed, engine revolutions and warning lights. A glance to the right scans your ammeter, oil gauge, transistorized clock, temperature gauge and fuel gauge—all in a neat row.

Below are ten rocker switches—the controls for your auxiliary systems—lined up like dominoes.

The interior is richly endowed with convenient pockets, boxes and shelves. The glove box contains a vanity mirror.

RIDE AND HANDLING

One of the old saws in automotive circles is that you can't achieve a smooth, comfortable ride *and* have a superior handling car.

The Jaguar XJ6 has laid that bit of engineering folklore eternally to rest.

Witness: *Motor Trend*, Dec., 1971. "... take a peek at tomorrow and promote a ride in an XJ6, the ride and handling and basic construction put it in a class by itself."

Indeed, the XJ6 is in a class by itself. Independent front and rear suspensions let each wheel suffer the jolts and jounces of the road surface independent of the others.

And, in addition, we have "suspended" our suspension systems on steel sub-frames, to avoid the transmission of vibration and harshness to the passenger compartment. Result: the driver and passengers are completely isolated from the vagaries of the highway.

And power assisted rack-and-pinion steering not only gives you instant response, but also a proper "feel" of the road.

The net effect is the feeling that something good has happened to the road itself. And that curves have become crisp, clean, unwavering arcs, negotiated with grace.

PERFORMANCE AND SAFETY

We believe the subjects of performance and

safety are two sides of the same coin. Any car that can whisk you straight as an arrow from 0 to 60 should be able to bring you back down to a calm, dignified stop, just as smartly.

Our performance going up the scale is generated by a 4.2 litre, twin-overhead cam, six cylinder engine. Race-designed and proven, it powers the 3,830-pound Jaguar XJ6 from 0 to 60 in a little under 11 seconds.

That's why the XJ6 has power-assisted disc brakes. Four to be precise. 11.2-inch ventilated discs on the front wheels. 10.4-inch discs, mounted in-board, on the rear. Combined with "anti-dive" geometry of the front suspension, they give you stopping ability that's sure, straight and quick.

The center section of the body is immensely strong, while the front and rear ends are designed to deform progressively and absorb the energy of an impact. We even tuck the fuel lines into the structure to minimize the chance of rupture.

There are burst-proof locks on all doors, in the rear we add child-proof latches.

TOLL-FREE INFORMATION

For dealer location or overseas delivery information, call (800) 631-1972. In N.J., call (800) 962-2803. And do schedule enough time to thoroughly examine one of "the ten best cars in the world." Considered by many, "the one best" in its price category.

JAGUAR XJ6.

It reflects the pursuit of excellence abandoned by many for the sake of expediency.



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A single business insurance policy that does the job of two, three, maybe even four other policies.



Let's say you've got four policies covering property damage, liability, burglary and vandalism, and business income loss. OK, we'll give you the same coverage in one convenient policy and probably save you a chunk of money in the process.

We've cut the red tape out of business insurance and made it easier to understand, buy and make a claim on. You can eliminate costly overlaps and possible gaps in your protection. You select

exactly how much protection you want in each area and we give you just that. You pay for what you need and nothing more.

It's simple. One policy, one agent, one company and one premium.

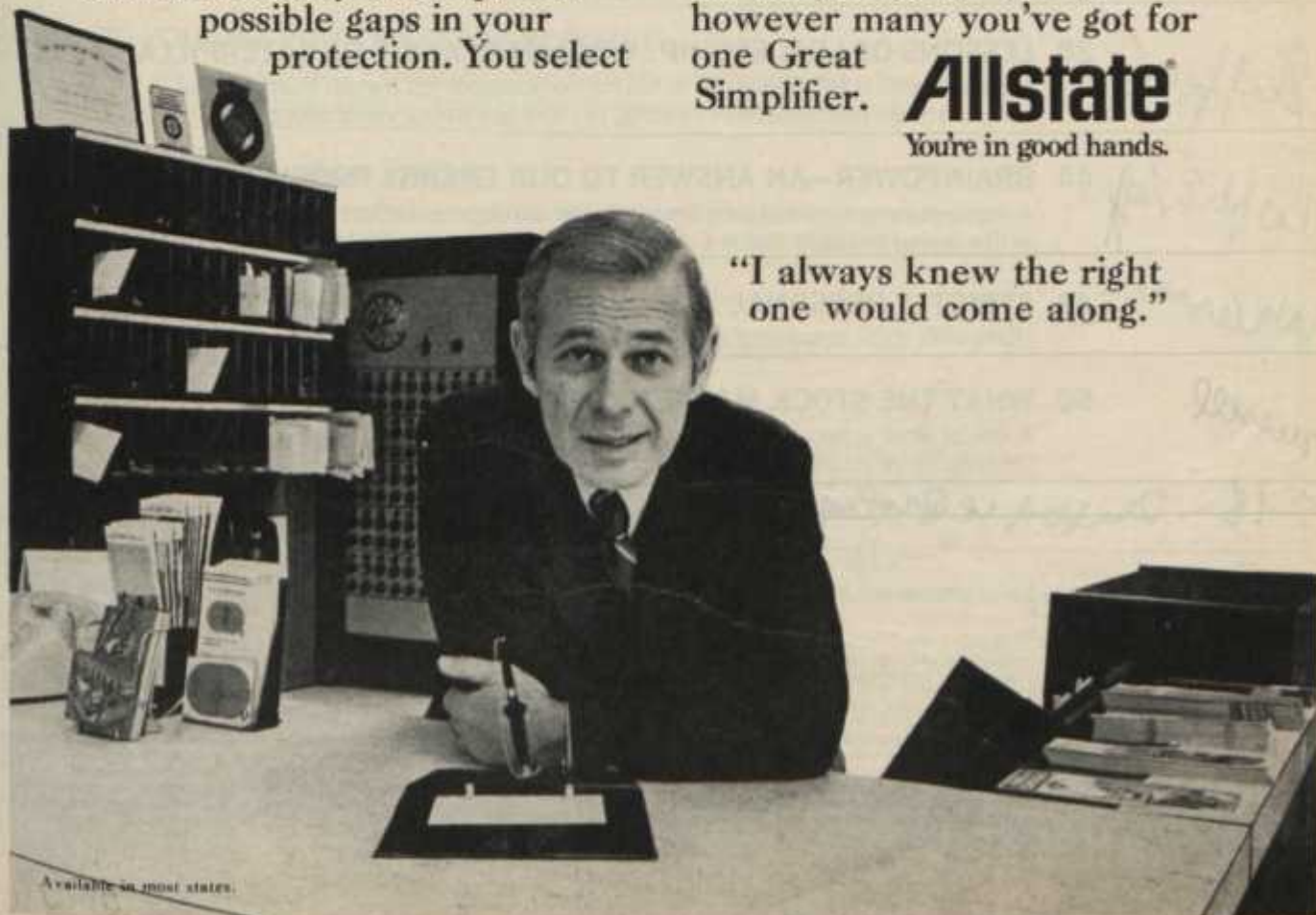
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Nation's Business

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Under the law, a corporation's pre-election activity can be vigorous and varied, so long as it's nonpartisan—and there are times when it can be partisan, too

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A massive government-private research and development effort must be launched, writes famed physicist Ralph E. Lapp, if we are to have the fuel that we need

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A look at what is perhaps the best barometer of capitalism indicates that the long-range outlook is hopeful, not only for investors but for our system

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Cover photograph by Yoichi Okamoto

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In which direction should a company head when it looks for directors? Inside its own ranks? Outside? There's a divergence of opinion among executives

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Environmental cleanups can actually create more dirt, as well as huge expense, when carried to unrealistic lengths; witness the case of the paper mill dust

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Here are some tips from a communications expert on how to make sure that your audience—be it executives or young mothers—hears what you want it to hear

Amber **70 BUSINESS: A LOOK AHEAD**

Exotic devices make their mark in product testing; a short haul air transportation system is ahead; "hands-free," soundproof phone booths; a bright spot in copper

Amber **72 EDITORIAL: STOP, LOOK AND LISTEN**

Everybody is talking about it—but what are you going to do about it?

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NATIONAL CIRCULATION DIRECTOR
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ASSISTANT CIRCULATION DIRECTOR
Harold E. Johnson
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64 B Putting Idle Money to Work

**The biggest losses in a fire
can be things that didn't burn.**



If you're in business, you probably carry Fire insurance. But don't let that lull you into a false sense of security. You may not be covered as well as you think.

You may need help in tearing things down.

Let's suppose that a fire destroys 50% of your plant. And suppose that local ordinances stipulate that the remainder of the building must be demolished (which is often the case).

Fire insurance normally doesn't cover this part of your loss. It only covers property damaged or destroyed in the fire.

What can you do? Buy Contingent Liability from Operation of Building Laws insurance plus Demolition insurance which will protect you against the loss of property *not* damaged or destroyed, including the cost of tearing it down and removing it.

Who usually pays for removing debris?

OK. With "Contingent Liability..." and Demolition insurance, you're paid for the property that didn't burn but which needs getting rid of. But what about the debris of what *did* burn? That expense can be covered... usually without charge... by a Debris Removal clause in your standard Fire and other Property Damage policies.

One caution, however: The inclusion of Debris Removal coverage does not... repeat, *not*... increase the limit of the insurance company's liability. It simply adds an additional item for which they will pay, *within* that limit.

Remember that it can be fairly tricky to establish for insurance purposes—and in advance—how much it might cost to remove debris or demolish up to 50% of your plant. One solution: get an estimate from a wrecking contractor.

What if you're not allowed to replace the building?

Zoning laws change. Building codes change. Aside from your own preferences, will you be *allowed* to replace the demolished building? Or will you have to use more costly materials? Conform to more stringent regulations? You'd probably need a lawyer to get the answers.

But we can tell you this: even being insured on a full Replacement Cost basis doesn't always protect you against such losses.

What can you do? You guessed it. There's another type of coverage that answers the question. Increased Cost of Construction insurance.

Replacement Cost vs. Actual Cash Value.

The two terms mean vastly different things. And the time to understand the difference is before a loss.

The standard Fire policy is written on an "actual cash value" basis. Which means that, in settling a loss, a deduction will be made for physical depreciation.

To protect yourself, get Replacement Cost coverage. There are several ways you can do it, but the most common is simply to modify your present policy so that losses will be paid without deduction for depreciation. That means you'll probably have to increase your insurance to cover the amount of depreciation and to be sure you comply with the coinsurance requirements.

Another reason for Replacement Cost coverage: generally, you can't buy Increased Cost of Construction insurance unless you're insured on a replacement cost basis.

Incidentally, Replacement Cost coverage on stock inventory isn't necessary because depreciation normally isn't a factor. But consider it on your improvements and betterments. And, if you can get it, for your equipment and machinery.

Who decides what things are worth?

Buildings deteriorate. Construction costs increase. The result is, determining the value of a piece of property can be difficult. And when losses occur, it can be the source of a great deal of litigation.

The safest thing to do is to get an estimate on property values for insurance purposes, as accurately and scientifically as possible. In advance. And in writing.

And the best way to do that, is to get a competent and reputable professional appraiser or contractor. He'll also know about local building codes, which will help you establish how much Increased Cost of Construction insurance you should carry.

Where do you find such an expert? Check with architects in the area. Or ask your insurance agent. When you do find a qualified man, don't be surprised if his price is high. He's probably worth it.

When you realize that, you'll probably do what you should do... keep your appraisal up to date by periodic review.

What about the most precious commodity... time?

In discussing hidden exposures, it would be an oversight to neglect the question of time.

To protect yourself against this kind of additional loss, there are several types of insurance with which you may be familiar... Business Interruption, Extra Expense, and Rent Insurance. And one with which you may *not* be familiar... Demolition and Increased Time to Rebuild insurance.

The actual effect of a loss of time will vary so much, depending on the size, location and nature of your business, as well as on construction problems, that specific advice would be impossible here.

But we can advise you to think about it. And when you do, we think you'll do something about it.

In fact, the whole purpose of this ad is to urge you to think about exposures to loss that you hadn't thought about before.

Getting the right answers on your own may not be easy. That's why you should consult with the professional agent of a service-minded insurance company.

You won't have to look far to find one.



The Continental Insurance Companies

Continental Insurance - Firemen's of Newark - Fidelity & Casualty - Commercial - Niagara - Seaboard F. & M. - Buckeye Union - American Title - National - Ben Franklin Cos. - Beacon Old Colony - Pacific Insurance - Queens Falls Cos. - HOME OFFICE: 80 Maiden Lane, New York, New York 10038

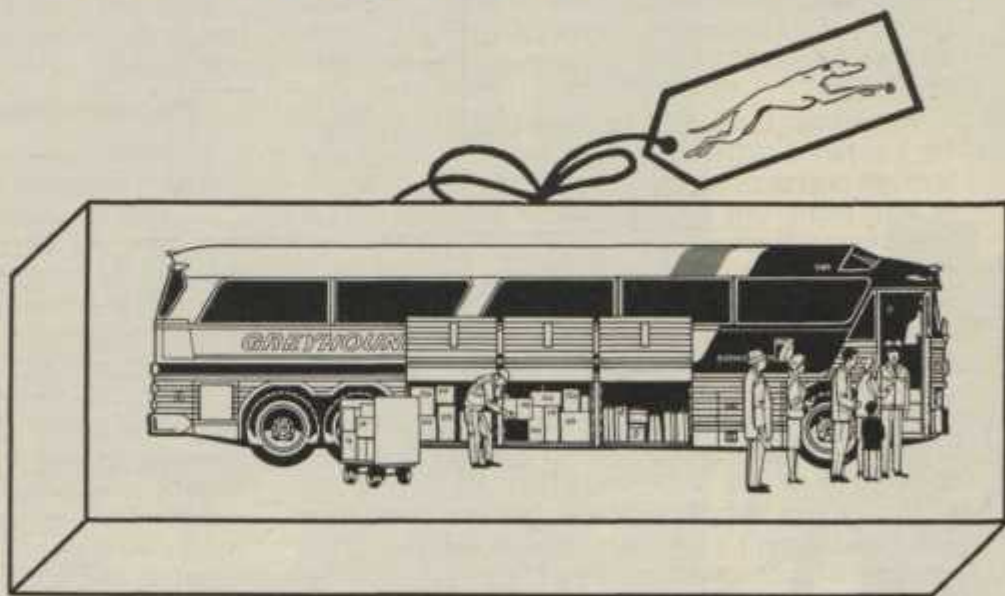
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shipment
there fast.**

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When you've got a little shipment in a big hurry, send it by Greyhound. It's economical and you can send most any shipment, up to 100 pounds.

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**Put your
shipment
on the
bus.**

Greyhound Package Express 

FOR MOVING A HOUSEHOLD, LEAVE THE MOVING TO GREYHOUND VAN LINES.

Memo From the Editor

Nation's Business • Published by the Chamber of Commerce of the United States • 1615 H Street N.W., Washington, D.C. 20006

You may already have heard and read more about the Democratic National Convention than you wanted to. But little, if any, of the news reflected the business point of view—even in some other business publications.

We're not going to rehash the news. We never do. Some observations on the Convention as it will affect you as a businessman do seem in order, however.

So that the voice of business would be heard, the Chamber of Commerce of the United States sent a five-man team to Miami Beach headed by Executive Vice President Arch Booth. The National Chamber urges businessmen to be active in politics and felt it should practice what it preaches. (They'll be attending the G.O.P. Convention, too.)

There were surprisingly few businessmen among the Democratic delegates. At a time when all sorts of groups were rightfully seeking proportional representation it was disturbing that business was so under-represented.

Businessmen who may have been disconcerted by some of the goings-on at the Convention should remember, however, that it's not the whole ball game, by a long shot.

Reflecting on it all afterward, Mr. Booth stressed that the political efforts of businessmen will be needed more than ever to restore balance in the future.

As a nonpartisan organization of both Democratic and Republican businessmen, the National Chamber, of course, is not concerned with candidates—but with issues, as they affect business. From that viewpoint, the Democratic platform—for whatever a platform is worth—must be described as disturbing.

Mr. Booth commented:

"If this platform were implemented, it would accelerate our inflation problem because it calls for spending

billions more of federal tax dollars when we're already billions in deficit and billions in debt.

"It would activate new programs for welfare, health care, child development, low income housing, Social Security, education, etc. It would cost at least a hundred billion dollars more a year, and probably more.

"However worthwhile any of these programs may be, the government does not have the money to pay for them and cannot raise that much in new taxes. So it would have to inflate the money supply to be certain that the money is available for the government to borrow. That's sure to cause more inflation for everybody.

"The platform also would assure explosive new tax increases for both business and individuals. This would be required for the new scheme of redistributing income from middle income to low income people. It would be necessary, as well, to help defray some of the costs of other new programs.

"This added tax burden on productive workers and corporations would sap their initiative."

• • •

What can you, as a businessman, do?

Probably a great deal more than you think. A new federal law governing campaign activities became effective last April.

To find out what it—and existing law—will let you do or not do, we talked with a Justice Department official who is an expert in this field. His advice is summed up in the article beginning on page 30.

Another thing you can do is listen (see editorial on page 72).

If you don't like what you're hearing, speak up.

Jack Woodbridge

not 'd to Communism

Arch Booth being interviewed for the Democratic Convention's special TV network.



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We've put together a detailed brochure that includes illustrations and construction data on 20 recently completed buildings in the region, ranging in cost from \$2.25 to \$11.80 per square foot. For your copy, write:
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Letters

A Way to Thwart Welfare Cheats

• The article, "Welfare Bunko: It Robs the Needy" [June], should be required reading for just about everyone who is paying taxes.

I know it is very seldom that a pure layman—which is another way of saying "babe in the jungle"—comes up with a suggestion for experts that isn't already being put to use or hasn't already been discarded as unworkable.

One I have is based on an idea I have gotten somewhere to the effect that fingerprints can be stored in, and recalled from, computers in fantastic numbers at fantastic speed.

It is sure to result in an unbelievable decibel level of howls from the offended segment of almstakers—but it might just work.

If all recipients of public charity were required to reapply, and to be fingerprinted along with dependents claimed, and the fact were made known that all would be run through the computers for picking up duplications by either principals or dependents, I have the feeling there would be a marked reduction in the relief rolls before any computers were even switched on.

EDWARD B. SEEGER

President
Southeastern Malware & Supply Corp.
Obolensky, Fla.

Political leaves of absence

• Re Frank Dicks' letter in the May issue entitled "Unfair to Taxpayers?" A delegation from our Chamber of Commerce visited the House of Representatives and the Senate when we attended the 60th annual meeting of the Chamber of Commerce of the United States. We were all quite disturbed that the Senate, on May 1, had about 20 Senators present while in session.

If our country is as badly off as Senators running in the primaries have said it is, they should have been in Washington voting on the important issues.

I agree with Mr. Dicks that politicians in Washington—Democrats, Republicans or any other political group—should not be paid when not working. Let them take a leave of ab-

sence without pay for their political campaigns.

WARREN R. LIKENS

Executive Vice President
The Lower Merion County Chamber of Commerce
Fairless Hills, Pa.

• Bouquets to Frank Dicks of C.O. Dicks Co., Plainfield, N.J. His letter aptly covers the need for adjustment in politicians' pay scales during their campaigns for other offices.

Mr. Dicks has planted a seed. Is there a possibility his suggestion will grow to productive results?

PARKER E. WILLIAMS

Partner's Lighting
Ingleswood, Calif.

• Amen to Frank Dicks' comments about elected politicians' campaign time costing the taxpayers money. Incidentally, the people who really lose because of this situation are the ones who voted them in—their voice is not heard.

MS. SHARON PHILLIPS

Alum Aluminum Corp.
Cleveland, Ohio

• The only argument that could be raised by the incumbent politician is that he would not be able to campaign as much as his opponent and therefore could lose the race, due to lack of exposure.

I say that if he has fulfilled the promises he made during his previous campaign, and has performed to the satisfaction of the majority, he would be re-elected on his record alone.

STEPHEN J. CRATE

Over Park, Texas

For reasonable safety laws

• Re your article, "Where the Safety Law Goes Haywire" [June], I can personally support the comments of others who have obviously indicated that our construction industry is not opposed to safety or safety legislation.

Our industry activities prior to passage of the Construction Safety Act of 1969 and the Occupational Safety and Health Act of 1970 provide adequate testimony to that effect. We merely look for reasonable legislation enforced in a fair and responsible manner.

JOHN A. WOODHALL JR.

Executive Vice President
Central-Alled Enterprises, Inc.
Wilmington, Minn.



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That's what makes us different from other companies selling lubricants to industry.

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together—for one year. Then we report how much you saved. In dollars and cents. In writing.

As a rule, actual savings run about twice what we estimate. Last year our customers saved, on the average, \$2.06 for every dollar we predicted.

And these savings usually add up to a lot more than our products cost. A typical example is a paper mill that saves \$82,415 a year with

about \$32,000 worth of lubricants.

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Mobil

We sell more by selling less.

Fallings in mail service

• Much has been said in the news media about the kind of service we are receiving from the Postal Service. There is nothing wrong with the service that plain country gumption could not correct, if properly applied.

For many years, our postal organization was the world's most efficient.

Its officials were persons who came up through the ranks. But some pseudoexperts took over administrative functions, causing service to deteriorate.

Discontinuing the carrying of the mail by rail was the greatest mistake made by the Postal Service. We could expect a letter to be delivered within 600 miles within 24 hours when carried by rail.

Mail now is being funneled into certain distribution centers where it is worked and reworked several times, making costs excessive.

Also, I do not believe the Postal Service is screening its employees properly, resulting in many thefts.

As to strikes by postal clerks, during 35 or more years in which I was employed by the post office, insubordination and unauthorized absences were unknown. Our service rating system had a stiff penalty for these infractions—we could be suspended without pay up to 45 days.

JOHN D. EDGE
*Attorney at Law
Cuthbert, Ga.*

A three-day workweek?

• Re the response [July] to your "Sound Off to the Editor" inquiry concerning the four-day, 40-hour workweek.

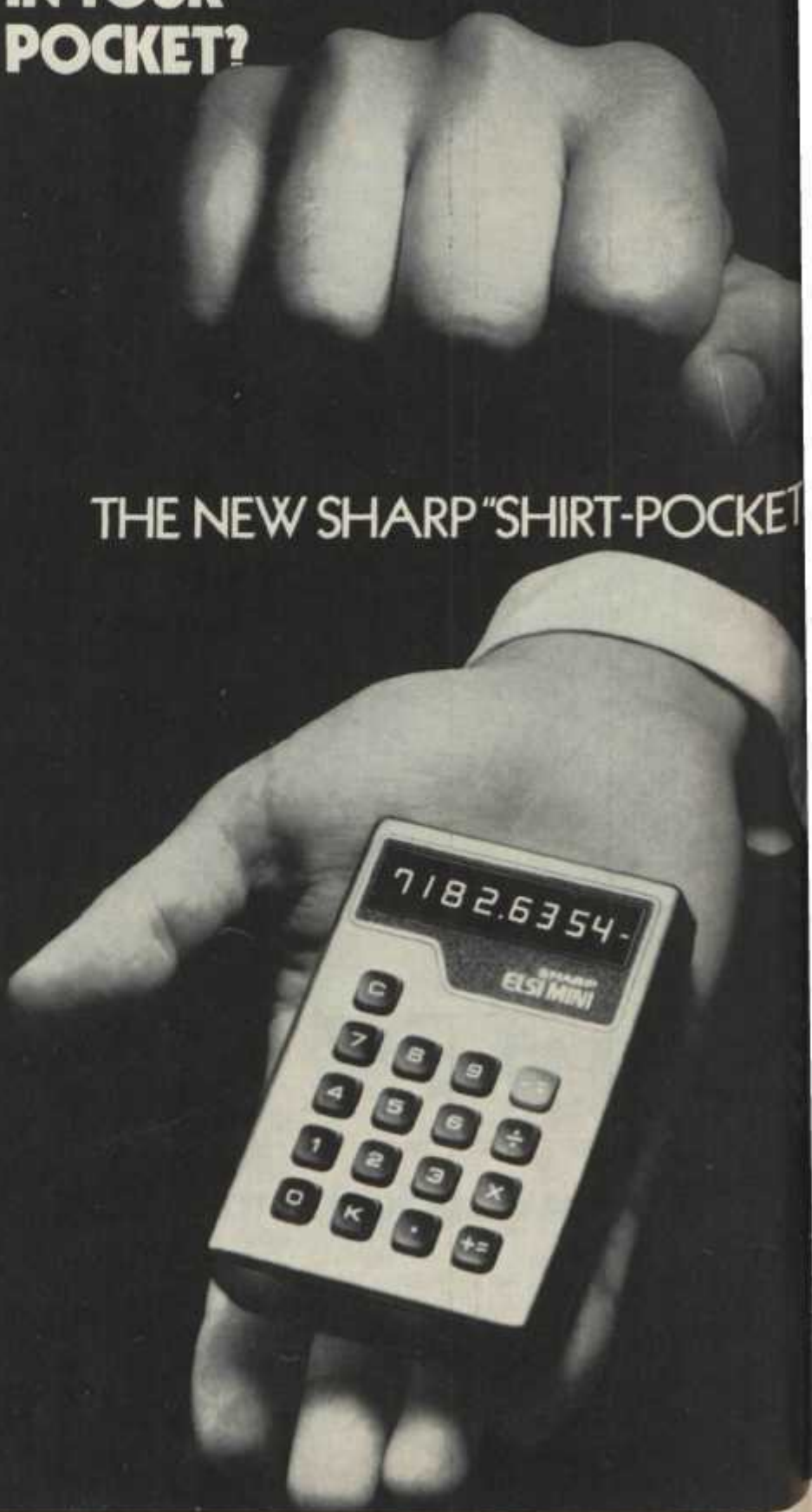
I have just completed a year's study of the shortened workweek, with emphasis on four-40, as the subject of my thesis to complete the M.B.A. program of Indiana Northern University. I have concluded that no "across-the-board" acceptance of four-40 is possible or desirable.

The majority of those who have failed in the shortened workweek have done so because of incomplete planning or failure to develop an individualized program.

Four-40, or its modifications, has been the most successful in those instances where both the company and the employee have received benefit—

WHAT'S IN THIS HAND THAT WILL PUT MONEY IN YOUR POCKET?

THE NEW SHARP "SHIRT-POCKET



You'll think it's a pack of cigarettes with buttons. ☐ Press the buttons and you'll know it's the smallest pack of electronic calculator capabilities you've ever imagined. ☐ Designed to be small and act big. Big on saving you time. Big on saving you money. ☐ But the biggest thing about our little machines is quality. The astonishing amount of quality we've packed into them. ☐ The same quality that put electronic calculators on the map. The quality that made us number 1 in calculators. Sharp Quality. All of it. ☐ And our new "shirt-pocket" Micros, like our total line of Sharp Calculators,

SIZE" CALCULATOR.

are backed by total Sharp service. That's like Sharp quality: the best. ☐ What else do these new Micros have? ☐ Versatility. With their small size—and price tag to match—you'll use yours everywhere. At home. At the office. At school. On a plane or train. Wherever you pay bills, do figuring, do homework from simple arithmetic to sophisticated math. That's where Sharp counts. That's where Sharp's accuracy saves you costly mistakes. That's where Sharp's speed saves you so much time. ☐ Our battery-powered EL-801, for example. Tiny. 2 3/4" x 4" x 1". Light. Less than 5 ounces. But so capable. Divides. Multiplies. Adds. Subtracts. Even has a constant! You'll do mixed and chain calculations with it—and in milliseconds! ☐ Tiny as a toy. But unlike so many others this is no toy. This is a Sharp. Packed with Sharp quality. Backed by Sharp service. Count on it. ☐ For the name of your nearest Sharp calculator representative, just phone toll-free (800) 631-1972. In New Jersey phone (800) 962-2803. Or if you prefer, mail in the coupon below.



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a more usable block of productivity for the company and a more usable block of leisure for the employee.

Quite often the same effect may be obtained by other means, e.g., earlier starting time, rescheduled lunch and break times, etc.

Much of organized labor's resistance to four-40 has been influenced by fear of "losing face." For years they have argued that more than eight hours is harmful, wasteful and an imposition upon the employee—hence the penalty of overtime pay.

It is my conclusion that four-40 is not an end in itself, but rather a step toward three 12-hour days for production workers.

Single shift schedules would operate with two crews alternately. Around-the-clock operations would have four crews working a total of six days. "A" crew would work from 6 a.m. to 6 p.m. Monday through Wednesday while "B" crew would work 6 p.m.-6 a.m. "C" crew would work 6 a.m.-6 p.m. Thursday through Saturday with "D" working 6 p.m.-6 a.m. the same days. All crews would have Sunday off (in those industries where possible). The following week "C" and "D" would work Monday through Wednesday with "A" and "B" working Thursday through Saturday.

The net effect would be a 30 per cent to 50 per cent increase in the work force. Such a program would have its own inherent problems and social implications.

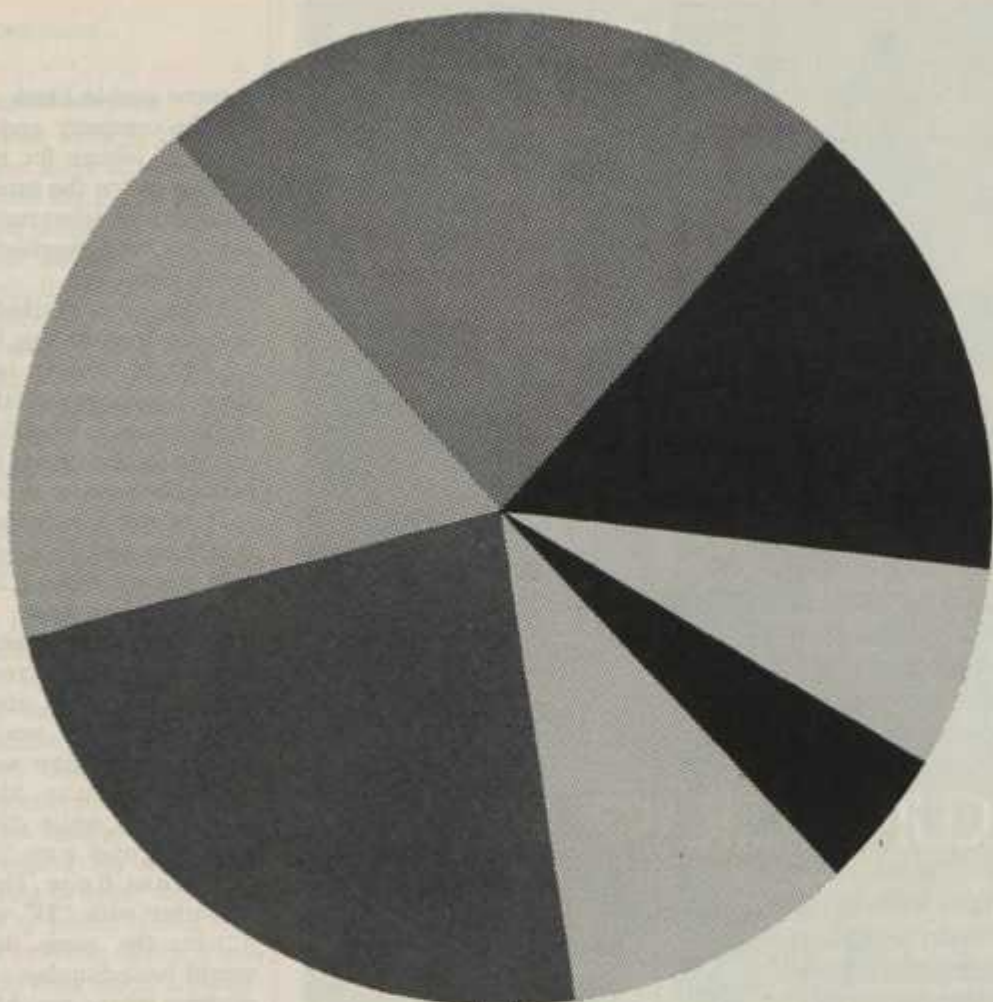
BRUCE D. CARROLL
Vice President-Manufacturing
Purdue Chemical Co.
Detroit, Mich.

Analyzing phone calls

• Your "Executive Trends" item, "Taking a Look at Toll Calls" [June], is, in my opinion, not fair to the telephone-using public.

I doubt that Computoll, Inc., provides the service outlined without charge to the telephone users. And I suggest that the item should have included the information that the telephone companies do provide these services of analyzing customers' telephone usage—through our communications consultants—without additional charge.

CLAUDE LOVETT
Division Commercial Engineer
Southwestern Bell Telephone Co.
Beaumont, Texas



WE'VE GOT SWEET NEWS FOR THE CONFECTION INDUSTRY—

AND FOR MANY OTHER INDUSTRIES TOO.

Our new study on the confection industry provides a wealth of up-to-date information, pointing to excellent manufacturing possibilities in British Columbia (one significant fact: in an \$8 million market, only 10% of consumption is supplied by B.C.-based manufacturers). And this is only one of many industry studies prepared by our department. Throughout the year our staff analysts, aided by the latest in computer technology, compile statistics for industries of every kind. Other recent studies indicating areas of opportunity relate to millwork, air and gas compressors, rubber V-belts, sports fishing tackle, conveyors and conveyor systems and portable fire extinguishers. If you're interested in any facet of industrial opportunity in this great and growing province, chances are we can provide the factual information you need to begin serious planning. For details, including specific industry studies, write:

**GOVERNMENT OF THE PROVINCE
OF BRITISH COLUMBIA**
Department of Industrial Development,
Trade, & Commerce
Parliament Buildings, Victoria, B.C.
Hon. Waldo M. Skillings, Minister

In California, contact our Industry & Trade Commissioners at: British Columbia House, 8833 Sunset Boulevard, Los Angeles, Calif. 90069; 599 Market Street, San Francisco, Calif. 94105.

Thanks from FBI chief

• Fulfilling the responsibilities of my position has been made easier through support of people such as you. I have read the article, "The FBI After Hoover," which appeared in the July issue of NATION'S BUSINESS and appreciate your bringing to the attention of your readers my observations regarding matters of concern to this Bureau.

I hope my endeavors continue to merit your confidence.

L. PATRICK GRAY III
Acting Director
Federal Bureau of Investigation
Washington, D.C.

Comics and controls

• Some of your businessmen subscribers may be a little surprised at the editorial in the June issue ["It's Not Funny"] which seems to say that the stature of a particular industry should be measured by the nature of its products.

Thus the comic strip business is hardly to be taken seriously, in relation to steel production or whatever.

I cannot see why comic books, as a major dollar earner, should not be subject to the same price control rules as any other legitimate business.

I would doubt that anyone on your staff could, for the life of him, distinguish between a dollar earned by the sale of comic books and a dollar earned by the sale of steel. I seem to recall a Depression year in which Lionel toy trains made more money than Baldwin Locomotives.

EDWIN D. NEFF
Springfield, Md.

Computer found costly

• Re the "Executive Trends" item [May] entitled "Do you really need a computer?" We are an industrial distributor in the \$2 million per year category, and take exception to the \$800 per month projection outlined by Dr. Ott.

Assuming it is possible to lease for \$800 per month a computer capable of performing the functions outlined, it is necessary to hire a manager to operate this equipment at a salary of

not less than \$1,000 per month. In addition, it is necessary to hire specially trained additional help—at least two people at from \$600 to \$800 per month each.

We have been through two computers and the lesson learned has been an expensive one.

Now, without a computer, we are accomplishing the same work load with two less people and have eliminated the need for specially trained personnel.

Another major disadvantage of a computer is a single source output. In a company the size of ours when order writing, inventory control, invoicing, and accounts payable and receivable are put on a single machine, and the machine is down mechanically, the entire corporate output stops.

If the computer is down for—say—two days, this time must be made up. Usually the only way to accomplish this is on an overtime basis, which again becomes an additional cost.

J. EDGAR MYLES
President
J. E. Myles, Inc.
Detroit, Mich.

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No obligation.

BUY THE OFFICE ELECTRIC THAT BEAT IBM.



The Royal 970.

AND SAVE UP TO \$120 ON THE ROYAL ELECTRIC HOME PORTABLE.



The Royal
Electric Portable.

Now you can update and improve your company's typewriters, and, for very little more, take home a great electric portable.

For your office, the Royal 970. Tested by America's leading independent testing organization, Nationwide Consumer Testing Institute with these results: "The Royal 970 will produce better quality presswork at a higher rate of speed with less noise and less effort than either the IBM D or the IBM Selectric."

For your home, the Royal Electric Portable. Now everyone in your family can enjoy electric typing. Gives you the neat press-

work and easy keying of an office electric in a size you can carry anywhere. It sells for \$134.95*.

For the deal, send us this ad. A Royal sales representative will show you and your secretary just how phenomenal the Royal 970 is. And if you buy one 970, we'll give you \$60 off the price of a new electric portable. Buy two 970's, and you can save \$120 (that's a Royal electric portable for only \$14.95). You can't lose, and the people who type for you can't lose either. Offer limited. Act now.

Royal Typewriter Company, Dept. 510
150 New Park Avenue
Hartford, Connecticut 06106

I'm interested in your deal. Show me how the Royal 970 beat the IBM.

Name _____
Address _____
City _____
State _____ Zip _____

Offer limited to four 970 typewriters purchased at standard list price. Available through your Royal branch or participating dealers.



ROYAL TYPEWRITER COMPANY

*Manufacturer's suggested retail price.

Executive Trends

BY JOHN COSTELLO
Associate Editor

Where they're looking for executives

Angelica Corp., a St. Louis textile maker, wanted one.

Specifically, a general manager for a subsidiary.

It sought a "practical shirtsleeves type" who'd take total responsibility for operations—and profit.

ARA Services, Inc., needed a salesman. The Philadelphia food service firm wanted a regional sales rep, in the \$15,000 to \$24,000 class.

These executive want ads, and hundreds of others, appeared in one edition of *The Digest of Executive Opportunities*. It's a fat weekly that lists managerial job offers culled from some 37 major dailies and a half-dozen trade magazines—or sent to it directly by executive recruiters.

It breaks the offers down into seven categories: General management; sales-marketing; finance and information systems (EDP); manufacturing; research-engineering; international and miscellaneous.

"More than 50 major companies now give it as a going-away present to executives they release," says publisher Bill Breitmayer, president, General Executive Services, Inc., New Canaan, Conn.

At \$95 for a six-month subscription, the gift's not cheap.

"But it gives the frantic job-hunter nationwide coverage of current openings—some 2,000 to 3,000 a month—in the \$15,000 class and up," Mr. Breitmayer says.

"And at a cost of 50 cents a day, it's a lot cheaper than buying 37 daily papers alone."

Here's how the executive job market looked in the April-June quarter of 1972, compared with January-March, 1972, and April-June, 1971:

	1972		Per Cent	1971		Per Cent
	1 Q	2 Q	Change	2 Q	Change	
Gen. Man.	414	432	+ 4.3	184	+135.0	
Sales/Mark.	1,486	1,806	+21.5	872	+107.0	
Mfg.	980	1,200	+22.5	804	+ 48.8	
Fin.	1,650	1,861	+12.8	1,817	+ 2.4	
Eng./R&D	1,190	1,474	+23.3	823	+ 79.0	
Misc.	1,117	1,283	+15.3	753	+ 70.4	
Int'l.	878	948	+ 8.0	981	- 3.3	
TOTAL	7,715	9,003	+16.7	6,234	+44.4	

"At least, that's the number of openings *The Digest* reported," says Mr. Breitmayer. "And we figure it reports 80 to 85 per cent of all of them."

How to rate your candidate

His performance on TV may make—or break—him.

It's easy to tell how well he did, says Lowengard & Brotherhood, Hartford, Conn., public relations counselors.

"We've run off a scorecard, based on our experience in handling political PR and promotion assignments," says partner John Brotherhood.

"With it, you can keep a running tally of plus and minus points scored by your tiger—or his opponent."

Here are some of the points to check:

PLUS	Point Value
Invokes Deity	5
Mention of mother	10
Quotes Lincoln	20
Artful dissembling—using statistics	30
Thinly veiled personal slur	50
Endorses increased spending and a cut in taxes	75
MINUS	
Misquotes Lincoln	5
Winces	10
Wears short, light-colored socks	15
*Looks into wrong camera	20
Perspires heavily	30
Endorses a cut in spending and increased taxes	75

*Watch the red light, dummy!

"Just subtract the minus points from the plus—or vice versa—and compare the results with his rival's," Mr. Brotherhood explains.

And what if he's a loser?

"If your candidate has more minus points than plus," Mr. Brotherhood says, "then switch."

What you owe if he's hurt

In a nutshell, more.

That's true in most of the country. Benefits are up over last year in 35 states.

How much and for how long?

The answers are in the new 1972 edition of "Analysis of Workmen's Compensation Laws" (\$1.50, Chamber of Commerce of the United States, Washington, D.C.). It's a

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Continental has and can design an almost limitless variety of retirement income insurance programs for groups and individuals—plans which are financially feasible, yet meet the long term needs of retired people. That's why your independent agent, who "serves you first," relies on Continental to help him bring  security and assurance to *your* life.

There's a better life in an unsure world through more kinds of life, disability income, retirement and group insurance from inventive Continental, the No. 1 Choice of Insurance Pros.

Life
CONTINENTAL ASSURANCE CO.
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25 billion calls* a year are made to speak to somebody in the next cubicle.

More and more businesses are handling these *inside* calls with Executone Intercom—the more efficient, less expensive way to communicate with people inside your company. You continue to use your regular telephone, but for *outside* calls only.

An Executone system quickly pays for itself. Because it helps your business run more smoothly, cuts overhead costs, and improves customer service.

For your free portfolio "How to Save with Intercom," send in the coupon below.

**An estimate based on three inside calls each business day on the more than 34,000,000 business phones in the U.S.*



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Long Island City, N.Y. 11101

- ☐ Please send free portfolio, "How to Save with Intercom."
☐ Have your representative phone for an appointment.

Name _____
Company _____
Address _____
City _____ State _____ Zip _____

In Canada: 331 Bartlett Avenue, Toronto.

Executive Trends *continued*

guide to a big subject for businessmen. Income and medical benefits under workmen's compensation laws now total \$2.9 billion a year.

Employers, of course, foot the bill.

The 48-page book, a bible on this subject, includes a brief report on what the National Commission on State Workmen's Compensation Laws is up to.

Secret of a successful business convention

No, it's not wine, women and song.

It's a good theme, one authority asserts.

"A convention theme ties it all together," says Walter Cook, director of education, American Society of Association Executives, Washington, D.C.

"It does what a good theme song does for a movie or a play. It makes it memorable, exciting and, most of all, effective."

Here are some rules of thumb you can use to see if your own is up to snuff:

1. Does it instantly reflect one of the major concerns or problems facing the membership?
2. Does it serve as an umbrella under which most program material will fit?
3. Does it lend itself to an eye-catching logo?
4. Is it a catch phrase that convention-goers will repeat?
5. Does it suggest a personal or tangible goal?

You'll find this advice, and other helpful hints, in the Society's booklet, "Making Your Convention More Effective."

"The theme must reflect the convention's objectives," Mr. Cook says. "A good one will put punch in what the convention is trying to get across."

"A bad one detracts from it."

Clergymen and the economic ABC's

"Seeing the problems of business, labor and agriculture—in a personal way—helped me.

"Now I understand better the peo-

ple I minister to." That's how one clergyman summed up his view of CEEF—the Clergy Economic Education Foundation, Kent, Ohio.

"It's meant to give clergymen a broader understanding of our economic system," says Dr. Carl F. Hawver, CEEF chairman.

Since it was started, in 1957, more than 8,500 priests, ministers and rabbis have attended one or more of its conferences and seminars.

"Personal, local and national economic problems confront us all," Dr. Hawver says. "For that reason, clergymen are glad to have the benefit of a seminar on the ABC's of economics—and economic matters."

CEEF has some blue chip sponsors, among them U.S. Steel, AT&T, Eastman Kodak, DuPont, Hormel and Reynolds Metals.

Its program has at least one benefit for business.

"The conferences," says Msgr. Michael J. Murphy, who lectures at them, "enable clergymen to gain respect for the accomplishments of the American system."

How to save money and boost sales

KPR Co., a chemical manufacturer, upped its share of the market 14 per cent—in three years' time.

The Great Toot and Whistle Railroad, one of the nation's bigger lines, nearly tripled its sale of industrial sites—in a mere two years.

WX Corp., a leather goods firm, solved a shortage of skilled manpower and hiked productivity sharply—within 12 months.

The names are phony—but not the results.

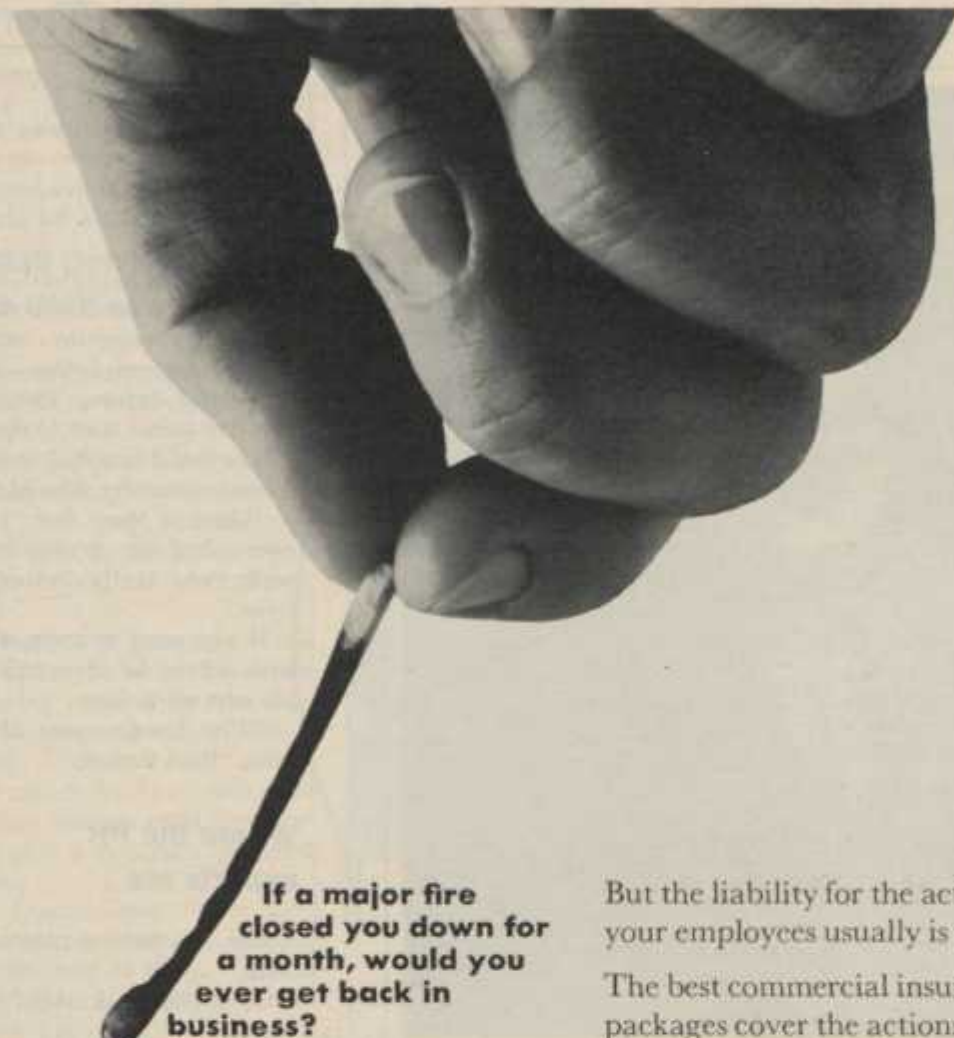
"They're good," says Lloyd K. Marquis, chairman, Marquis-Bowles Associates, a Washington, D.C., consulting firm.

"And they all came from employee suggestions which we passed on to them."

How did Marquis-Bowles tap this rich lode of ideas?

"Through a detailed management audit," says Howard C. Bowles, president.

"We interview a lot of people, at nearly every level in the firm. We



**If a major fire
closed you down for
a month, would you
ever get back in
business?**

A large percentage of the businesses that burn down are never re-opened. It's sad, but true. Without a steady flow of new income, it's difficult to survive.

Business Interruption Insurance provides the income you would normally receive. It can be tailored to your exact requirements as part of a commercial insurance package policy. Are you covered for even one month of no income?


If you're sued because of an accident caused by an employee you send to Europe, does your insurance apply?

If you're in international business, your product liability is probably fully covered by a policy.

But the liability for the actions of your employees usually is not.

The best commercial insurance packages cover the actions of employees representing you anywhere in the world. The only provision is that the original suit or claim must be filed against you in the United States or Canada. Does your liability coverage travel with your employees?

Do you have to be an insurance agent to get good commercial coverage?

Of course not. Call your insurance man and discuss these questions. Or call in your local independent  agent representing Transamerica Insurance Group. He specializes in writing commercial package policies. You'll find him listed in the Yellow Pages, or drop us a line at the address below.

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8/2/92
Ad. A. B. Williams



Ageless Words

"Make it thy business to know thyself,
which is the most difficult lesson
in the world."

Miguel de Cervantes
in "Don Quixote"

It should be thy business also to know
thy community and how its needs can
be met. Get to know the folk at your
Chamber of Commerce and join with
them in the learning process.

Pete Progress speaking for
the Chamber of Commerce.

Handwritten signature

Executive Trends

continued

may ask them as many as 700 questions. An interview—in several sessions—may total five hours.

"This tells us a lot about the way things are run.

"But most important, it gets everyone churned up. They start thinking about the company—and ways to make it perform better—in ways they never did before. That's when the creative juices start to flow."

The audit is a real shot in the arm to mid-managers, Mr. Marquis adds.

"Most of them say: 'Gee, nobody ever asked my opinion before.' They walk away really feeling like executives."

If you want to know what's wrong with a firm, he says, talk to the people who work there.

"Who knows more about it," he asks, "than they do?"

Where the PR experts are

Say you have a plant in Phoenix, Ariz.

Or Little Rock, Ark., or Spokane, Wash.

And everything's coming up roses. Business is great.

The production line's humming. Your employees work like Trojans and hate unions. Your executives are bright, diligent and don't drink or fight with their wives.

But a local chapter of bird-watchers is mad at you. They say the smoke from your factory is giving the titmice granulated eyelids.

So you have a problem—in public relations.

"That's the kind the Public Relations Register can help solve," says Robert T. Adams, Public Relations Society of America, New York City.

"With it, you can find a pro almost anywhere to handle a problem like that."

The Register (\$35) lists some 7,000 PR practitioners. Many work for associations, business, or government. But others are in agencies and available for hire.

Fund-raisers use it, too. It's their guide to Santa Claus.

Often, on corporate gifts, it's the vice president, public relations, who calls the shots.

Private Mail Delivery by Public Utilities

Some utilities are meeting rising postal costs head-on by creating their own mail delivery services.

When the U.S. Postal Service upped the first-class rate from six cents to eight cents last year, accountants scurried to see if there wasn't a cheaper way to get bills to utilities' customers.

But at least one company—New Orleans Public Service, Inc.—has been delivering most of its own bills for over 30 years and would have it no other way.

It says it can do for four cents what the post office charges eight cents for and, better still, it gets bills delivered on schedule.

Virginia Electric and Power Co., which serves customers in Virginia and small sections of North Carolina and West Virginia, had its own mail service until the mid-1950s when it switched over to Uncle Sam. It decided to go back to private delivery when the rate increased.

Company officials say they hope to save \$200,000 a year this way and an



College students deliver bills for New Orleans Public Service, Inc.

New Orleans, La.

additional \$50,000 each time the rate goes up a penny.

Potomac Electric Power Co., with customers in the District of Columbia, nearby Maryland and a small section of Virginia, heard about Vepco delivering its own bills and launched a trial

service to see if it, too, could save money. After six months the system appears successful, company spokesmen report.

The private delivery system works best, of course, in high-density population areas, notably in apartment communities. It becomes uneconomical, however, as the service extends into the outer reaches of suburbia. And it is prohibitive in rural areas.

The New Orleans utility has long used college students to deliver its bills. A spokesman says:

"This is a good investment in the community; we help youngsters work their way through school. They usually work a 20-hour week and enjoy such company benefits as vacations and hospitalization."

One might wonder if such private deliveries pose a threat to the Postal Service. A spokesman reports: "Not at this time. But if a lot of companies did this it could have an impact."

The utility company mailmen have found no particular problems as they make their appointed rounds. Except for one thing—dogs. "We've run into the same problem as regular mailmen and I don't see how we can overcome dogs," a Pepco official says.

Myths About the Miss or the Mrs.

Women of America, meet a friend—David J. Mahoney, chairman and president of Norton Simon, Inc.

Mr. Mahoney has committed his company to leaving no stone unturned in giving women a crack at any job for which they are qualified.

"We are determined to continue our efforts to eliminate all barriers to advancement which are unrelated to merit," he says. "We are determined to be responsive to the changing wants and needs of women, as well as men."

"Above all, we are determined to continue to listen to the voices of women, both inside and outside our company. The law demands it. Self-

interest compels it. The future requires it."

Mr. Mahoney estimates that 85 per cent of the billion-dollar-a-year sales of his consumer products and services company—everything from dressmaking patterns to liquor—are to women.

"I would be crazy not to listen to women," he observes. "Besides, I think . . . the women's movement has been good for America and will be good for business."

Mr. Mahoney has some suggestions for his corporate colleagues:

"Corporate leaders must set examples in our own offices. I am not proposing tokenism. Company presidents should look for strong, capable women in their own organizations, give them some short-term development, and then put them into top jobs at the corporate level. They will not only serve

as invaluable role models for other women in your company, but by performing well, they will change men's attitudes."

It's time, according to Mr. Mahoney, that myths about women in business are laid to rest.

The myths, he says, are "that they lack ambition, that women aren't competitive, that they fold under pressure, that they are good on handling details but not the larger issues, that their emotions overrule their judgment, that they can't supervise men and that they can't supervise women."

"Any one of these judgments can apply to any individual, male or female."

"But to apply them to women as a group is pure folklore, and dangerous folklore for your company."

continued on next page

The Handicapped Cut Company Costs

A few years ago the Western Electric Co. repair center servicing Northwestern Bell Telephone Co. in Minnesota and North Dakota was replacing about 300,000 phone cords a year rather than fix up the old ones. It was cheaper that way.

Today, such worn cords are being repaired—at less than replacement cost—by mentally retarded or physically handicapped persons at the Occupational Training Center in St. Paul, Minn.

St. Paul's OTC, which provides employment for almost 300 men and women, is supported largely by private business.

Last year, OTC began a can and bottle recycling operation, considered to be one of the most comprehensive in the nation. It is manned by 50 handicapped or retarded employees.

Coca-Cola Bottling Midwest, Inc., and the Coca-Cola Foundation put up \$100,000, and the Theodore Hamm Co., \$50,000, to train these people and to promote the recycling operation. American Hoist and Derrick Co. donated \$50,000 worth of equipment



A production line at the Occupational Training Center in St. Paul is manned by handicapped workers. Business contributes heavily to the OTC.

and Ford Motor Co. gave a \$14,000 truck to transport recycled materials.

Sixty-five workers are engaged in the telephone cord repair program. They have done so well, according to OTC Director John DuRand, that Western Electric has given the center a contract for repairing cable splicing sleeves.

"We try to build hand-and-eye coordination, and competence in using machinery within the work situations," says Rick Twedell, shop supervisor for the phone cord project. "But it's just as important to encourage and develop the self-esteem and self-confi-

dence of these handicapped people, because they've often been kept away from decision-making of even the simplest nature."

In the beginning, the handicapped employees were only able to repair about 300 telephone cords a week. They now handle up to 5,000.

St. Paul's OTC also sponsors on-the-job training outside the center. A number of commercial firms and manufacturing plants have invited OTC to assign instructors to train students on the premises. Some of the handicapped students have now moved into full-time jobs with private firms.

Chrysler's Road Map for Retirement

Retirement can be a jolting experience but the Chrysler Corp. and the United Automobile Workers union have found a way to smooth the transition from work to full-time leisure.

Chrysler employees are offered a free seven-week course in which they are taught everything from how to figure out a retirement budget to making a will. The tab is picked up by the company and the UAW.

Since the course began in 1965, almost 8,000 employees and their spouses have enrolled.

Classes are held in churches, schools, community centers, union halls and wherever it is convenient for employees to assemble.

Doctors, lawyers, Social Security officials and others expert on retirement problems appear before the groups. Freewheeling discussion is encouraged and each session is led by two trained discussion leaders, one representing the company and the other the union.

Says Frank Jansen, an employee at Chrysler's stamping plant in Warren, Mich., who is one of the union representatives:

"Everyone at these sessions sees retirement in intensely personal terms. And sometimes it's difficult keeping the sessions general enough to be of interest to everybody."

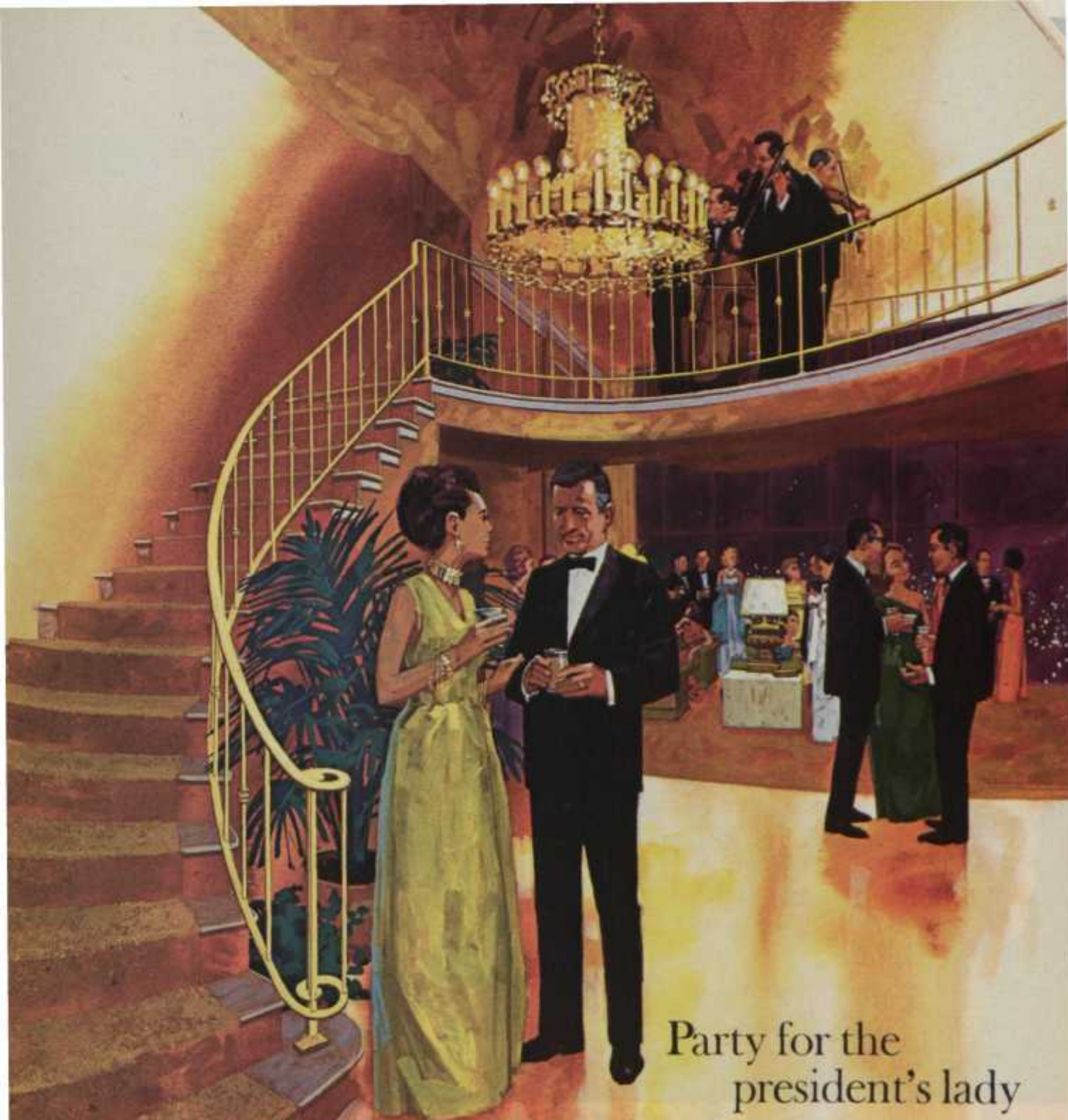
David A. Beatty, who works in Chrysler's Pension Board Office and represents the company, reports that the question most asked is: "How much am I going to get?"

The course, which is called "Planning Our Retirement," was developed by the University of Michigan Department of Gerontology.

Grant Butts, a preretirement counselor at Chrysler, says the group discussions reveal a rather common characteristic among married couples nearing retirement—failure of husband and wife to reveal their plans to one another.

At one Detroit session a man let his wife know for the first time his intentions to build a retirement home in upper Michigan. She jumped up and shouted: "You do and you take the damn dog with you."

The story ends on a happy note. Near the end of the course the wife took a discussion leader aside and proudly showed him the plans for their retirement home—in upper Michigan.



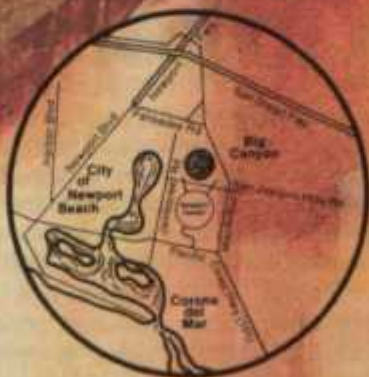
Party for the president's lady

A housewarming at BIG CANYON is a dramatic statement of individual success. A toast to the unparalleled privacy, luxury, and security of Orange County's most prestigious address.

At last count, 81 corporation presidents and their first ladies live at BIG CANYON, right in the heart of the vibrant Newport Beach area.

Developed around the plush fairways of the magnificent BIG CANYON COUNTRY CLUB, this is the ideal location for the modern executive. Minutes away from the Newport Marina and just across the boulevard from the new ultra-contemporary Financial Center.

The opportunity for a housewarming of your own at BIG CANYON is diminishing every day. So, reserve a home for "Your Lady" now.



Big Canyon

Irvine

A BETTER ENVIRONMENT FOR YOU

Custom View Lots, offered by Macnab-Irvine, from \$40,000

Deane Condominiums, from \$61,850 Broadmoor Homes, from \$94,000

Big Canyon East Apartments by McLain Development, Co., opening fall of 1972.



We don't lend money to just anybody.

But we did to Arnold Fazekas and Mike Money.

They had some great new wrinkles on the men's and women's wear market. Like spiffy jeans with a message. But for one reason or another, they'd been stalled by other banks. The type of banks that looked only at their balance sheet, not at their operations... or at them.

But we were different at Beverly Hills National Bank. We saw in Arnold and Mike a couple of solid, creative businessmen who needed some help. Not just a company that was under-capitalized.

So we helped. Accounts receivable financing was the first step. Then to insure continued growth, we provided some sound financial and management counseling. And before too long, Unique Manufacturing was in the pink. Or rather, really

in the black. And a major force in the industry.

This is what we mean by "full dimensional" banking. It involves knowing all about you to find the most efficient, economical type of financial help for your specific situation.

Not everybody can qualify for it, but if you can convince the financially creative guys at Beverly Hills National that your company is special, we'll do our best to make sure it stays that way.

We've got 3 locations: the main office, 9600 Santa Monica Blvd., Beverly Hills, CA 90210, (213) 273-3131, and the Wilshire office at Wilshire and Doheny. In Brentwood, we're on Barrington Place near Sunset.



Beverly Hills National Bank

Member FDIC

Subsidiary of Beverly Hills Bancorp

Broad Potential Abroad

The U.S. Small Business Administration is deeply concerned about the posture of small firms' involvement in world trade.

First, we firmly believe that strengthening the small business community necessitates its deeper penetration of foreign markets.

Further, one reason why this nation's imports now exceed its exports is that our small business sector has yet to fully discover and develop the vast profit potential beyond our shores.

SBA has information indicating that three out of five successful American exporters have fewer than 100 employees.

But many firms mistakenly believe that only large corporations have the know-how and resources to do an effective and profitable job in exporting, or that the field is open only to those with long experience in it.

This is an unhealthy situation which is likely to continue until we tear down these phantom barriers.

We no longer live in a two- or three-world market. The evidence abounds that the world-wide concept already has arrived and is likely to be the wave of the future. Advances in communications and transportation now make it possible to service foreign and domestic markets with almost equal speed and efficiency.

Our foreign competitors have been quick to exploit the world-wide market concept. Their success is abundantly evident.

The small businessman is buffeted by this foreign competition in our domestic markets; at the same time, he suffers from lack of a firm competitive position abroad.

Very few businessmen and economists would argue with the statement that the United States market is the largest and most competitive in the Free World. It is logical, then, to believe that anyone successfully competing in our domestic markets has a comparable chance of doing

likewise abroad with third-country competitors.

This statement does not hold completely, however, when a third-country competitor has advantages in costs and terms of export financing because of government subsidies.

The Foreign Credit Insurance Association's new types of export insurance, as well as efforts of the Export-Import Bank's export expansion facility, are helping to reduce this problem.

SBA is also helping.

The testing and penetration of any market requires working capital. In many cases, the prospective exporter does not have sufficient funds. His normal banking sources should be pursued first. However, if the bank prefers to invite SBA to participate, there are two ways in which this can be accomplished.

First, the bank and SBA could provide an immediate participation loan, with each lender advancing an agreed percentage of the total loan. Secondly, SBA could guarantee a loan advanced by the bank, but not in excess of 90 per cent of the total.

SBA has disbursed nearly \$29 million in such loans to small exporters so far.

Another real problem the small exporter must face is a lack of information coming to him from overseas markets. He does not have the manpower resources to obtain the valuable marketing information he needs. Here again, SBA can help. SBA maintains a constant vigil in behalf of the small exporter and has foreign marketing tips available for him.

For instance, one of SBA's most popular publications, "Export Marketing for Smaller Firms," recently went to a third edition. It is available for 60 cents from the U.S. Government Printing Office.

Also, during the past fiscal year, SBA initiated more than 50 foreign trade courses, conferences and workshops throughout the country.

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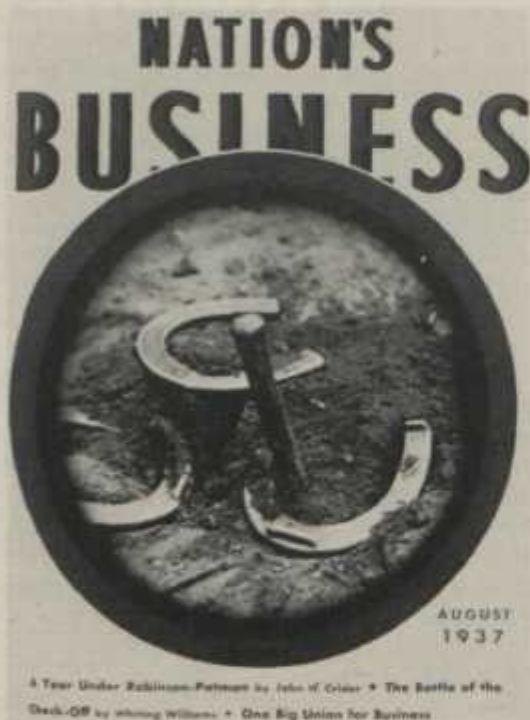
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The Past Is Prologue

Thirty-five years ago in Nation's Business

(established 1912)



"We Need One Big Union for Business" declared a headline in the August, 1937, issue of NATION'S BUSINESS.

American businessmen were groping for a way to cope with a surge of unionism—organizers were busy in the auto and steel industries, and John L. Lewis of the United Mine Workers was much in the public mind during that Depression-era summer, 35 years ago.

Luther K. Bell, writing with Fred DeArmond, advised: "Labor is on the march! So ought industry to be on the march. It is incredible that, with millions of employees organized, not one great industry in this country is organized as it should be."

In another article, entitled "The Battle of the Check-Off," Whiting Williams asked: "What's going to be the outcome of all this labor fuss?" He concluded the best policy for businessmen was to "demonstrate to your every employee... that you can be depended upon for a more sensitive alertness to, and a more honest and reliable sympathy with, his daily needs... than can anybody else."

Mr. Williams, no doubt, would have been amazed at today's teachers', policemen's and firemen's unions.

A "playlet" written by the late Paul McCrea, longtime executive editor of NATION'S BUSINESS, might be considered germane to 1972, with its problem of sagging productivity. "Utopia and/or Bust" featured travails in the kingdom of the Good King Wassail, which had suffered a breakdown of the "work ethic" when all the king's subjects suddenly became rich. The king's wise man intoned:

*"A lesson stern they've paid to learn
Through turmoil, strife and ruction.
Wealth isn't made by what you're paid—
If pay outstrips production."*

A women's lib story of sorts cropped up in the magazine. A young lady named Marjorie Holmes Mighell wrote that she had concluded, after six different bosses, that work and romance with the boss just don't mix. She got in some sharp, catty shots at her employers. One was described as "plump, jowly, pudgy-fingered, insipidly mustached and losing his hair."

There was a short note on the problem a revival of bicycling was causing city authorities. Several cities, it seemed, had passed legislation to deal with the "two-wheeled traffic problem."

The success of a young attorney in cracking down on the rackets in New York was featured in another article. Thirty-three-year-old Thomas E. Dewey was on his way.

And while President Roosevelt had been re-elected to a second term less than a year before, there were guesses by Washington correspondents as to whether he would seek a third term. The consensus: Yes, because of "his delight in breaking precedents."

Ham

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Sound Off to the Editor

Is Pride in Work Declining?

Is pride in work declining in this country?

Many would answer with a resounding Yes, and some even would cite changing attitudes toward toil as a forerunner of the end of the work ethic which has been vital to the nation throughout its history.

Others would say, Not so.

Those who contend there is less and less conscientiousness on the job, and more and more of a feeling that the money coming in is all that counts, cite a number of reasons:

A surge of younger, better-educated jobholders with wide interests outside work; technological changes which have produced monotony in some occupations; a depression-free, affluent society in which many employees feel that if they walk away from one job another will always be available; welfarism, which they say has undermined some people's desire to earn a living.

They talk of people who show up late for work, shirk most of the day and jump the gun at quitting time; of high turnover rates; of absenteeism (it has increased 100 per cent in the auto industry in the past 10 years); of good jobs that go begging.

Such behavior has affected white collar as well as blue collar work, they say, and it's seen in every rank. Not only are there frequent reports about salespeople who don't care about courtesy, or about slapdash repair jobs or error-filled bills and statements, but stories of executives chucking important positions to "do their own thing" have become common.

Dr. Michael Maccoby of Harvard University says a study he made shows job discontent and a feeling of lack of fulfillment that could damage performance may run as high as 80 per cent among technical and managerial workers.

But those who contend pride in work is not waning point out that American management techniques are still copied around the globe, that American technology is still envied everywhere, that the U.S. worker's efficiency has made this nation the world's premiere industrial giant.

Eagerness for a job in less prosperous times of our past should not be confused with pride in the job, they say. And they argue that—just as the one holdup in a store is newsworthy and the thousands of legitimate sales are not—it's the slipshod worker who is noticed and the many who perform adequately who are not.

"Anybody who goes around preaching the theme that pride in work is falling is off-base," comments an AFL-CIO official. "The vast majority of workers are committed to their jobs."

What do you think? Is pride in work declining?

Jack Wooldridge, Editor
Nation's Business
1615 H Street N.W.
Washington, D.C. 20006

Is pride in work declining?

☐ Yes ☐ No

Comments:.....
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.....
.....
.....
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Name and title.....

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Sound Off Response

Departing From the Parties

Major evidence of a surge of independent-mindedness among America's voters is demonstrated in responses that NATION'S BUSINESS readers give to the question, "Should you vote for the man and not the party?"

Their consensus on the "Sound Off to the Editor" query posed in June is a thunderous Yes. More than 80 per cent are on the affirmative side.

Many of those urging that a candidate be judged on his own merits, rather than his political ties, feel the Republican and Democratic parties have become so similar in many areas that the party label is no longer much of a guide.

Robert J. Duguet, vice president, Detroit Radiator Corp., Warren, Mich., notes that after an election is over it is often difficult to determine which party a candidate was representing. "The party does not play a very large role today," Mr. Duguet says, "and I doubt if it will in the future."

Harland J. Gray, general manager, M & M Machine, Inc., Phoenix, Ariz., isn't quite so ready to give up on the parties but nevertheless strikes an independent stance: "The two-party system is a must for our free enterprise system. However, it should not be so rigid as to prevent our taxpayers from getting the best representation throughout our fine political structure. . . . Voting for the man and not the party should be every voter's attitude in order to get the best representation."

William Cantor, president, RM International Corp., New York City, points out that each party has a broad spectrum of ideologies—including liberal, middle-of-the-road and conservative. "This being the fact," he says, "I am more interested in the man or men than the party."

J.A. Ryder, chairman and chief executive officer, Ryder System, Inc., Miami, Fla., comments that voting for the man is "the only true way to improve government," and reports

that he has "been doing it for years."

On the other side, many of those who feel that citizens should make a commitment to a particular party and support its candidates reject the idea that the two major parties are becoming alike.

Charles E. Lyons, manager of employee information, Eastman Kodak Co., Rochester, N.Y., writes: "Generally speaking, it is still true that the political parties have different approaches to such problems as government control over our society, welfare spending, union power, business profits and taxes. It should be easy for a businessman to figure out which party to support."

Donald L. Schilke, deputy director, Illinois Department of Business and Economic Development, sees a key role for the parties: "What would these independent political philosophers—who vote for the man and not the party—do on election day if the parties did not nominate the November candidates in a primary; provide a speaking platform for debating the issues; raise funds; establish polling places; provide election judges and be accountable to the electorate in between elections? Our system without parties would be chaos."

Two advertising industry executives come down on opposite sides of the issue.

John Ferries, senior vice president, Benton & Bowles, Inc., New York City, comments that "our country needs great leaders, not compromise candidates of party organizations."

But Richard N. Risteen, senior vice president, Warwick & Legler, Inc., New York City, argues that any nominee "reflects the views of his party, particularly as a result of his being constantly advised by five or six party members who are his closest confidants. People today cannot vote for a man, they vote for the man's advisers who speak the party viewpoint."

Logan C. Young, president, Forristal-Young Sales Co., St. Louis,

Mo., is among many readers who say it is necessary to concentrate on the man until the parties are regrouped under "Liberal" and "Conservative" labels. "Until this happens, the intelligent voter must vote for the man," he asserts. "The party be damned."

Also urging balloting for the man, Gale H. Shackelford, vice president and general sales manager, The W.L. Jenkins Co., Canton, Ohio, asks why, as a conservative Republican, "I should vote for so-called Republicans like Sen. Case, Sen. Javits, Gov. Rockefeller or Sen. Percy. If I were a conservative Democrat, how could I possibly vote for Sen. McGovern, Sen. Humphrey or Mayor Lindsay?"

L.A. Theisen, president, Metal Products Corp., Weehawken, N.J., sees it differently than Mr. Shackelford. "The two-party system is what made America great," writes Mr. Theisen. "We need the conservatives (Republicans) as well as the liberals (Democrats) to act as checks and balances. To vote for the man instead of the party would be to create a dictatorship attitude."

Some readers feel the question must be answered both Yes and No.

In local elections, says G.J. Coogan, vice president and general manager, Tri-Ex Thermal division, Zurn Industries, Inc., Tulsa, Okla., voting should "definitely" be for the man and not the party. But in national elections, he says, it should be the other way. "A President," he explains, "is not as effective if he is the only member of his party in Washington."

Writes Gary A. Pollard, director of data processing, Angelo State University, San Angelo, Texas: "The two-party system insures that the party in power must be ever conscious that the opposition is organized, ready, and waiting to take advantage of any misuse of the power of public office. But each party-line voter knows there are limits beyond which he will not go in support of party candidates."

Ryan Isbell, partner, Mayfield Printing Co., Mayfield, Ky., says a citizen "who truly has the interest of good government in mind will be guided not by political party alone but by all the knowledge he can muster." He adds: "I know it is very difficult—the first time—to vote for a man or an idea of 'the other party.' The first time I did so I felt as if I had committed a crime. I actually did not rest well that night. But since then, it has never bothered me to split the ticket."

Writes Marc E. Katz, senior industrial engineer, The Carborundum Co., Niagara Falls, N.Y.: "Yes, definitely! Not all candidates are strictly Republican or Democratic. Thus, the voters should support the views or platform of the man they feel can accomplish their objectives. By pulling one lever (straight ticket) we are not exercising our full right to support the views we favor."

But Dale F. Robinson, regional manager, Sun Electric Corp., Orlando, Fla., says No. "When it gets down to the nitty-gritty on a controversial issue," he argues, "Congress, the state legislatures, etc., almost always divide strictly according to party lines. It is the big party machines that actually run the nation."

On the other hand, James A. Dipold, president and editor, *The Daily Press*, St. Marys, Pa., asserts that "if more people vote for the man and not the party, the party will then be forced to secure better-qualified candidates in order to get or stay in power. It could eliminate the party hangers-on, who are given some political office as a reward. Those in office will want to satisfy the voters in order to be re-elected. So we should get better government."

And Kenneth J. Marvin, deputy mayor of Sitka, Alaska, writes: "I couldn't live with my own conscience if I voted for someone just because he was a Democrat, which I am, when I felt a Republican was much more qualified for the job. It would be just plain ridiculous."

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Where Unions Work Overtime at Boondoggling

All around this land there are labor-enforced practices that fuel inflation, reduce efficiency and slow the national economic growth

When it came to well-paying jobs, there were weeks last fall when stagehands at the new John F. Kennedy Center for the Performing Arts in Washington, D.C., didn't have to take a back seat to anyone.

Approximately 125 members of the International Association of Theatrical and Stage Employees had a contract with the Center that meant paychecks of up to \$1,500 a week for senior unionists. Scores of others collected wages ranging from \$250 to \$450 in a typical week.

The bonanza was made possible by work rules that led to a towering total of expensive overtime.

"I'm thinking of taking out a union card myself," quipped J. Charles Gilbert, manager of the three Kennedy Center theaters, when he got a look at some of the inflated paychecks.

Officials at the Center say now much of the overtime was due to a

frantic rush of rehearsals before the Center's opening splash in September. "It was an inflated and unreal situation," a spokesman says. "Any theater in these circumstances would have problems."

In addition to hourly rates that rank with those on Broadway (\$7.70 for the head electrician, carpenter and property man in each of the three theaters and a minimum of \$6.60 for their subordinates) the contract required four hours' pay for each assignment or "call" regardless of length of time spent working.

At the busy, multipurpose concert hall, there often were four or five

calls a day. Stagehands got four hours' pay for the first two calls and then collected time and a half for each call thereafter.

The stagehands' contract—since renegotiated to reduce the amount of overtime and to change the way overtime pay is calculated—was a striking example of how a powerful union can drive a hard bargain with a management that faces a sticky supply-and-demand situation.

There are scads of similar—and less temporary—cases of abusive union practices that fuel inflation, reduce efficiency and productivity, retard technological change and slow





ILLUSTRATION: JOHN NEIRLY

the nation's economic growth. There are, for example:

- Painters who won't use a roller over nine inches wide or a brush over four inches wide.
- Plumbers who insist on rethreading prethreaded pipe.
- Operating engineers who must be employed for a full eight-hour shift merely to push a button to start a machine that can run all day without supervision.
- Dockworkers who unpack and re-pack containerized freight.

For despite some union cooperation in such industries as coal mining, steel, automobiles and rubber to

reduce inefficient work practices and adapt to technological change, featherbedding is still strongly entrenched in many key U.S. industries.

What industries have the worst problems with boondoggling? Take your choice.

Railroading, of course, is one of them. The current hot dispute in the industry, long plagued with featherbedding and restrictive work practices, involves the attempt by the bankrupt Penn Central Transportation Co. to phase out about 6,000 unproductive job assignments.

The railroad and the United Transportation Union negotiated

fruitlessly for nearly a year to permit the phasing out of the jobs, which are required by present union agreements. In May, a Presidential Emergency Board urged Penn Central to delay any effort to force a reduction in train crews for at least eight months.

Later, the federal court handling the railroad's bankruptcy proceedings authorized the line to adopt work rules that accomplish the phasing out. However, as NATION'S BUSINESS went to press, there was talk of a strike if the railroad acted.

Basil Cole, vice president-legal administration for Penn Central, says the line's competitive position would be hampered by "high labor costs and low productivity" unless it can "move toward a basic three-man crew instead of the four- and five-man crews required by current agreements" with the UTU.

Officials of the union, whose president, Al H. Chesser, has recommended that Congress nationalize the Penn Central, contend today's long freight trains need the present crews for safety reasons. Company officials argue the trains can be operated safely and efficiently with fewer workers. They estimate the reduced crew size would cut annual labor costs by more than \$100 million.

Penn Central is carrying the ball on this issue for other, more prosperous lines, as well as itself. At stake, industry officials say, is not only Penn Central's ability to survive, but the future of all U.S. railroads.

The railroads' prospects got one big boost recently, though, with settlement of a 35-year-old dispute involving perhaps the worst example of boondoggling on record. The UTU agreed to elimination of diesel freight locomotive firemen through attrition. The firemen's jobs date from the era of the steam locomotive.

No industry in the U.S. has suffered more from labor union featherbedding—not to mention violent union jurisdictional struggles and inflationary, soaring wage settlements—than construction.

Before the Construction Industry Stabilization Committee was created, wage increases to construction workers were skyrocketing—some were

Where Unions Work Overtime at Boondoggling *continued*

as high as 56 per cent a year—and having a rippling effect on demands of workers in other industries. Even since then, construction hikes have been high. I. W. Abel, president of the United Steelworkers Union, has publicly complained that the building trades were getting bigger raises than the rest of labor.

The low productivity that goes along with the fat paychecks is an equally fundamental problem.

Construction is the nation's largest industry—over \$115 billion in annual business, larger than autos and steel combined. A survey by *Engineering News-Record* indicates that low productivity wastes from 15 per cent to 40 per cent of every construction payroll dollar.

A report by the Associated General Contractors of America lists six varieties of featherbedding or make-work in the construction industry:

Limiting the work load an employee may handle or the number of machines he may operate; requiring totally unnecessary work or that work unnecessarily be done more than once; prohibiting certain labor-saving tools or machinery; restricting workers' duties or enforcing less efficient work methods; requiring unnecessary standby workers or an excessive number of workers; and compelling employers to grant excessive relief time.

"Unions hide behind the excuses of health and safety in pushing for restrictive work rules," says Rep. Larry Winn Jr. (R-Kans.), who headed a large Kansas City construction firm before being elected to Congress.

Though in some cases the rules do involve health or safety of workers, he says, in most cases they are "a slowdown process to string out a job and make more money."

Building trade featherbedding knows no single geographic area.

Reports from Florida, Ohio and New Mexico are that painters in some localities won't use a roller over nine inches wide or a brush over 4½ inches wide. In other areas, painters are paid "premium time" when using a roller, or they insist two men operate a spray gun. (You can roll or spray a lot faster than you can paint with a brush.) There

are also restrictions on what objects and surfaces can be sprayed.

Some of the trades have provisions written into contracts, or have understandings, that limit output. Cement finishers, for instance, have prohibitions against completing more than 700 square feet of floor in an eight-hour day in some areas. Bricklayers have quotas that vary from state to state. The quota may be for laying 400 bricks a day, though normal productivity is 800 a day.

"Bricklayers today lay less brick than their forefathers did despite new, improved methods," remarks Rep. Winn. And at wage rates that—in some areas—run up to \$9 an hour.

Many of the wasteful practices in the construction industry center around resistance to new products and materials.

Plumbers, for instance, often refuse to handle prethreaded or plastic pipe. At one project in Tennes-

Industry after industry, company after company, have their own stories about particularly outrageous union-enforced boondoggling. Is there one you are anxious to share? If so, write to Boondoggling, care of *Nation's Business*, 1615 H St. N.W., Washington, D.C. 20006, giving details concisely. Your letter may appear in a future issue.

see, a contractor devised a method of assembling pipe for prefabricated bathrooms that cost about \$25 per bathroom while the old hand method cost over \$100. Plumbers refused to install the preassembled pipe.

Carpenters regularly won't handle precut cabinets, doors and moldings. In perhaps the best-known court case involving restrictive work practices, the Supreme Court agreed with the National Labor Relations Board in 1967 that Philadelphia carpenters had a right not to handle such doors. The reasoning: Job security, being a legitimate subject of collective bargaining, may be protected by work preservation provisions even though

they exclude the product of a third party.

Union glaziers have kept window walls (prefabricated walls with the windows installed in the factory) out of the high-rise market in most major cities by refusing to do the necessary finishing on the site. This provides more work for the highly paid glaziers at the expense of those who need low-cost housing.

There are varying twists to union rules that require unnecessary work—or unnecessary workers.

Electricians commonly rewire certain fixtures on the job site. In upstate New York and elsewhere, union rules require that electricians watch temporary wiring which will function without attention.

Ironworkers in many states insist on a minimum of five men on a job when working with steel, even if it's a job that can be handled by three.

Break time and "showup time" are other common construction industry practices that lower productivity and inflate the cost of housing. Almost all union contracts call for coffee breaks, but 10-to-15-minute breaks stretch into 20 to 30 minutes on many jobs.

Showup time is money paid to workers who come to a site but can't work due to bad weather or other circumstances. Minimum pay is two hours but in many cities it will be four hours' pay for little or no work performed.

Jurisdictional disputes among the various building trades causes a lot of down time on construction sites. Jealous of their traditional work areas, the craft unions guard them closely—with the result that the contractor is caught in the middle.

A common dispute: Operating engineers and elevator installers bicker about who will run the elevators in a building under construction. A compromise usually is worked out so that both trades run an elevator, even if the extra capacity isn't needed.

Building codes are another sore point in the industry. Varying significantly from city to city and state to state, they're often antiquated. Contractors charge organized labor's political muscle props up code barricades against use of work-saving materials or practices.

Rep. Winn comments: "The unions have built so many restrictions into the building codes that require contractors to provide certain materials that it's a major factor in upping the bidding price."

While railroading and construction are particularly conspicuous examples of unions' boondoggling abilities, other industries also suffer.

In the maritime industry, where wages on American-flag ships range from two to seven times higher than on foreign-flag vessels, engine room workers get overtime for the 5 p.m. to 8 a.m. hours whenever their ships load or unload cargo, even if these are their regular hours and despite the fact that they have nothing extra to do.

This "donkey watch" goes back to when workers had to keep steam up for donkey engines to work the winches, which have long been operated by electric motors.

In the trucking industry, teamsters receive some payments for time to unload trucks, even when they don't do the unloading. They also get a guaranteed minimum of paid hours for short runs, and require unnecessary helpers on local delivery runs.

The American Federation of Musicians has established minimum quotas for musicians at orchestra and other performances. It has also insisted on a "standby" setup, with employers required to hire certain numbers of union musicians to watch performances given by non-union musicians.

Today, the standby requirement is generally met by a cash payment to the union.

Union rules strike a particularly sour note in symphony recording, industry officials report. "You might have to hire 100 players rather than the 60 you need to do a Mozart piece when recording," an American Symphony Orchestra League official says. In addition, wage scales for a recording session are far higher than for a "live" performance, and the session moves into overtime very quickly.

As a result, much of the symphony recording that five or six years ago might have been done in the U.S. is now done in Europe or Japan. END

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Ways to Make Uncle Sam Spend More Wisely

Huge savings are possible, says one of the nation's ablest money managers, through the "zero-base budget" approach and other techniques

What does the federal budget cost the average American? Far more than most of us realize.

If the White House gets what it wants for fiscal 1973, the cost will come to \$3,681 per household.

That sum would buy the family a new car, put one of its youngsters through a year of college—or even give it a good head start toward a down payment on a new home.

Even more shocking, perhaps, is how rapidly federal spending has expanded.

In 1963, the government spent \$92.6 billion. For fiscal 1973, the Administration has asked for \$246.3 billion.

"How did we get in this fix?" many Americans have asked themselves. "How do we get out of it?"

In this interview, one of the nation's ablest money managers gives his views on those questions.

He is Dr. Maurice Mann, now ex-



Dr. Maurice Mann thinks we should stop "this lush growth of federal programs that Congress merrily passes without any way to pay for them."

ecutive vice president of Western Pennsylvania National Bank, and a former assistant director of President Nixon's Office of Management and Budget, and—before that—an assistant director of the Bureau of the Budget.

Does it really matter if Washington's always in the red?

Sure it does. Since 1960, we've had only two years when the federal budget showed a surplus. It seems to me we are experiencing some serious fiscal mismanagement.

The result of continued deficit spending at high employment is bound to be inflation. And you know how bad that can be.

We were in the red last year, and in fiscal 1973 and 1974—and probably beyond—we'll run deficits again.

With our troop withdrawals from Viet Nam, weren't we supposed to get a "peace dividend" that would help the budget?

Well, the peace dividend, in a sense, was given away before it could be declared.

Personal income taxes have been repeatedly reduced by Congress. So the revenue from the federal tax system is not nearly as great as it was before the tax cuts.

Some of the peace dividend disappeared there. The rest has already been used up by federal spending programs put on the books in the past few years.

What are some of these programs?

Well, new funds for state and local programs of all types, new education programs, new welfare programs, new manpower programs and so on.

Also, a whole raft of existing programs have been expanded.

At most, the peace dividend was estimated at \$30 billion. But it isn't there any more. Price increases, pay increases, tax cuts and new and ex-

panded federal spending chewed it up.

Isn't defense, as a per cent of the total budget, actually shrinking?

Yes, that's correct. Spending for human resources, or social welfare, tops it substantially. There has been a marked shift in our national priorities—even though most Americans may not be aware of it or even in favor of it.

In fact, the biggest single item in the federal budget now is the Department of Health, Education and Welfare.

There is an awful lot of push in this country to do more about social and economic welfare. There are a host of programs—child care, urban development, low cost housing, education—all of which take money.

One thing is dangerous about all this.

People tend to talk as if there were no limit on the amount we can spend on these projects. But whether we like it or not, there is a ceiling.

We have just so much money available. We have to decide where our priorities lie.

Somewhere along the line we've got to ask this question: What role do we want the federal government to play in the overall economy?

This is the first basic question. But it has many implications. For example, to what extent do we want Washington to allocate resources in this country?

Washington has almost unlimited power to tax and take money away from one group and give it to another, but nobody really wants to sit down and decide how the money should be allocated.

How much should go into public health programs? Into public education? Into welfare?

People refuse to think through the implication of this redistribution of the public's income.

If we want everything—to rebuild

the cities, improve public health and education, develop rural areas, clean up the environment—somebody has to pay for it. And that somebody is the American people themselves.

Those billions Congress spends aren't manna from heaven. They're dollars out of the taxpayers' pockets.

If we don't have money enough for all these projects, then we have to decide which deserve the highest priority.

Should we attack just those with top priority and forget the rest? Or should we spread the wealth and do a little about each one? As a nation, we should make decisions like that—but we don't.

Why not?

There's no simple answer.

Being a little old-fashioned, though, I think it depends in the first instance on strong leadership at the national level.

I don't think it makes much difference whether that leadership comes from the White House or from Congress. But somebody has to exercise it.

Instead, someone says: "Well, we have some problems here. Let's have a new program and spend some money."

This is what happened with Medicare.

When it was started, I don't think we knew what we were doing. It was introduced in 1967. In fiscal 1968, it was expected to cost \$4 billion. Instead, it cost \$5.3 billion.

In fiscal 1969, it was expected to cost \$5.8 billion. Actually, it cost \$6.6 billion.

How can you avoid errors such as these?

Well, partly because of Medicare, Congress passed the Legislative Reorganization Act of 1970.

It requires the White House to provide a five-year cost estimate of any

Ways to Make Uncle Sam Spend More Wisely *continued*

new, or substantially expanded, federal spending programs.

This takes care of new ones, but what about the old?

The next logical step is to require annual five-year cost estimates of all federal programs, based on current law.

Then we can make much better decisions about them.

We could say: "Do we want to buy these new proposals? And if so, what existing programs will we cut out to pay for them or how will we get the additional tax revenue to pay for them?"

Unless, of course, we want to run budget deficits, year after year. And nobody wants that.

What else could be done for wiser spending?

The best answer is to go to a zero-base budget concept.

That means you start from zero every year when you put together a national budget. Each program, in every Department, starts from scratch. It has to justify its existence anew, each year.

Maybe a program is 20, 30, 40 or even 50 years old. That should make no difference.

You don't just extend it blindly, even if it's asking for no more money than it got before.

Under zero-base budgeting, each program would have to be sold on its worth every year when the Department comes, hat in hand, asking for money.

That may sound a little impractical. But it is the only way you are going to get a good budget.

History tells us there is no disposition to eliminate programs that are antiquated or inefficient. In fact, over the years, any program will develop its own constituency, or friends.

Now the general public may not even know it exists. So there's no organized opposition to giving it a few more million dollars, or tens of millions, this year. It gets refinanced by default.

What's the result? Well, the federal budget looks in some ways like an old cave whose roof is hung with useless stalactites that grew over the years. Or an old waterlogged hull, whose bottom is thick with barnacles.

How is the budget put together today?

In reality, federal agencies have to justify only the additional money they request for ongoing programs.

It's a little bit like the way we run a house—or set the children's allowance.

Say your wife takes \$150 a week for groceries and other household expenses. So long as that takes care of it, you keep setting aside the same amount of the family income for that purpose.

You don't look at the \$150 every week and say: "Well, maybe this week we could get by on less—or need more."

It's somewhat similar with the kids' allowances. When they're little they get maybe \$2 a week. Then, when they're a little older—and you're a little better off—they get maybe \$5 and later \$10.

Now, if you adopted a zero-base budget approach, you'd say: "Well, how much money do we need to run the house this week? Why? What are we going to do with it?"

And that might not be a bad idea. Have you noticed how, as your income goes up, your expenses seem to rise automatically? They never go down automatically. It takes effort to prune them.

It's the same way with Washington.

Does this mean federal spending tends to be cast in concrete?

Sure it does. In fact, about two thirds of all federal spending is relatively uncontrollable. For example, you can't refuse to pay the interest on the federal debt. Or waltz on commitments to veterans. Or stop Social Security payments. Or do away with all defense spending.

But we could handle our discretionary spending a lot better through a zero-base budget approach. And we might stop this lush growth of federal programs that Congress merrily passes without any way to pay for them.

Another step we could take is to stop earmarking taxes for specific programs.

Earmarking funds shields them from any competition for tax dollars and tends to distort our spending priorities. There's a tendency to expand programs simply because they have

their own private pipeline to the Treasury. They're more or less exempt from the entire federal process of budget review.

How much would be saved if all these proposals—long-range forecasts, the zero-base budget and a halt to earmarking—were adopted?

I think the amount would depend on how seriously we applied these reforms.

We could throw out a lot of programs that are now on the books, cut back others or revamp them. If we did, I'm sure we could effect sizable savings—anywhere from \$500 million to \$5 billion annually.

A 10 per cent cut in discretionary federal spending would save \$8 billion a year.

Does anyone believe there isn't that much fat, or wasted motion, in the federal bureaucracy?

Does this mean using a more business-like approach by government?

In a way, yes.

Suppose the Administration said: "Next year, we'll have \$200 billion revenue. That's all we're going to spend. You guys will have to decide what it's going to be spent on—and justify all your programs."

That's how budgets are set in a business, or bank.

Any other ideas?

We might try putting the federal budget on the ballot.

Let the voters pass on all big items, like military pay, subsidized public housing, welfare, Social Security, health programs and so forth, all down the line.

But I guess you'd have to tell the voters: "This is all we have to spend. How do you want to spend it? Make your hard choices."

Otherwise, since everybody wants something, and everybody has a favorite program, you'd wind up with the biggest budget in history. The way the process works now, this is exactly what happens—because everyone looks at his own favorite program, and no one looks at the total. Thus, as things stand today, it's a safe bet that each year's budget will be bigger than that of the preceding year. END

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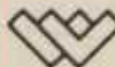
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5. The foreman gets hit with a 3 hour *rush job*. How does he cope with the pressure and not create a personnel crisis?
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What Businesses Can Do in Politics

Under the law, a corporation's pre-election activity can be vigorous and varied, so long as it's nonpartisan—and there are times when it can be partisan, too



The president of the firm, Rupert Jones, stepped to the center of the platform.

Facing him in the auditorium were about half of the day shift. The men and women were seated on folding steel chairs that did double duty at company picnics and community chest rallies.

"On behalf of our firm," Mr. Jones said, "I'd like to welcome you to this noonday gathering to meet the candidates."

"As you know, Congressman Wilbur Smith, who has represented this district for four years, is up for re-election."

"His opponent, Mr. Emmett O'Brien, hopes to unseat him."

"We've invited them here to talk to you. We thought you would like

to hear each of these men say why he feels he would best serve you—and the nation—if elected to office."

This scene, in one version or another, will be played many times in many company auditoriums this year.

And for good reason.

It's a contribution to good government—and perfectly legal.

"Anyone is mistaken," says Associate Deputy Attorney General Paul L. Woodard, "who thinks that a corporation's only safe course in an election year is to keep politics at arm's length."

"There are many things it can do, and perhaps should do, to make a positive contribution to our democratic process."

Some of these are spelled out pret-

ty clearly, he adds, in the Federal Election Campaign Act of 1971.

"However, so long as the activities are nonpartisan," he says, "the corporation can do practically anything, according to pre-existing case law."

"The law proscribes corporate activities aimed at influencing an election in favor of one candidate or party over another, or influencing the outcome of a convention."

What's nonpartisan activity?

"Support of the election generally, without seeking to influence the outcome of a race," Mr. Woodard says.

The new federal law came into effect April 7, 1972.

"In some instances—particularly with respect to corporations and labor unions—it merely codifies existing case law," the Justice Depart-

ment official says. "Its virtue lies in the fact that it sets forth with unusual clarity some of the things a corporation can and can't do."

Nonpartisan things it can do, he says, include these:

- Voter registration drives.

How?

By almost any method of persuasion. For example, personal pep talks by executives or foremen, employee get-togethers, letters from management, notices on bulletin boards, news stories and editorials in the corporation's house organ.

"It's O.K. with the Justice Department," Mr. Woodard says, "if the company lends space, even its own clerical help, to assist registration officials. At least one bank held a drive like this on its own premises."

"The drive was directed at employees, but the possibility certainly existed that depositors might decide to register, too."

"We have no objections, since the law seems to have none."

- Get-out-the-vote campaigns.

General Foods Corp. does an outstanding job, businessmen say.

"We put up posters, write in em-

Amid all the election year hoopla, there are solid contributions to be made to good government.



ployee publications, and invite candidates to speak," reports Richard Aszling, vice president, public relations and public affairs.

"Everything's directed toward whipping up the employee's enthusiasm—or convincing him that his vote's important."

Many corporate campaigns stress that point.

"We cite the statistics," says Barton Evans, administrator of Hughes Aircraft Co.'s Citizenship Campaign.

"For example, how John Kennedy won in 1960 by less than one vote per precinct—out of a total vote of more than 69 million. And, in 1968, how Richard Nixon won by less than three votes per precinct—when the vote topped 73 million."

Hughes Aircraft's get-out-the-vote and registration campaign has few peers. A recent survey of its employees indicated that 92 per cent of those eligible to vote actually had.

By contrast, roughly 60 per cent of America's eligible voters will go to the polls in this Presidential election—if past patterns hold true.

- Employee fund-raising.

"Some companies encourage employees to support the party or candidate of their choice by regular weekly or monthly gifts," notes Mr. Woodard.

Under these company-sponsored plans—some including payroll deductions—only the donor knows to whom his contribution will go.

In the past, more than 70 per cent of Aerojet General Corp. employees kicked in money to political candidates under a company-run plan. Both Whirlpool Corp. and Ford Motor Co. also have old and highly successful programs of this kind.

Suppose a corporation wants to

ILLUSTRATIONS: JACK LEFKOWITZ

REGISTER HERE

Politics *continued*

give money to an organization like the League of Women Voters. Is that legal?

"Once again," Mr. Woodard says, "the yardstick is whether the organization's activity is nonpartisan."

"If it's simply trying to encourage the public to take a greater part in public affairs, that's nonpartisan and permissible. Likewise, if it's trying to help the public become better informed on all the issues, and all the candidates."

"My impression is that the League of Women Voters is a nonpartisan organization. So contributing to it, or other groups like it, is O.K. under this law."

Not always neutral

Corporations, under the law, don't have to be politically neutral in all things they do.

"Some businessmen seem to think so," Mr. Woodard says. "But that's not true. Under some circumstances, corporations can take sides."

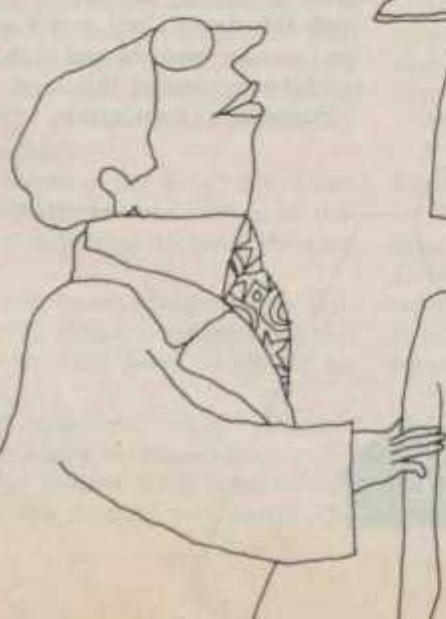
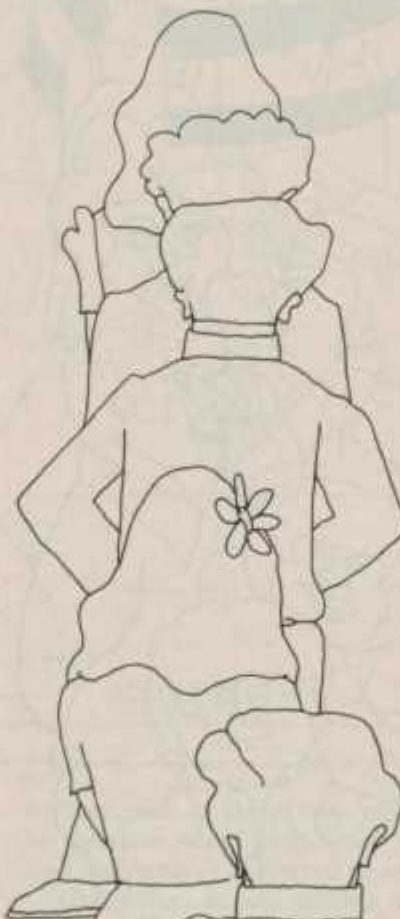
"For example, they can argue as hard as they want for or against any candidate—in communications to their stockholders and to the stockholders' families."

"In fact, they can urge them to support legislation, or work against it. Short of libel, they can knock candidates as hard as they wish. By the same token, they can boost those they favor."

How come?

"Well, in 1948 the Supreme Court took this position: Since stockholders

Km
VOTE



own the corporation, federal law can't prohibit its officers from communicating with them freely.

"To construe the law otherwise, the Court held, might be a violation of the First Amendment."

"So, if it wishes, a corporation can use its own funds, for example, to publish a stockholders' newsletter containing suggestions or exhortations on how to vote in federal elections."

"Provided, of course, that the letter doesn't go to the general public. Unions have the same right to communicate with their members."

Can a corporation talk like this to its employees, too?

"No," the Justice Department official says, "only to stockholders and their families."

Not the individual

How about individuals who work for the firm or manage it? Do the restrictions that apply to the corporation govern them?

"No, the law is directed at the corporation, not the individuals who work there, manage it or own it," Mr. Woodard says.

"Officers, employees and stockholders are free to contribute to anyone they please, or support anyone they please, just like any other American citizens. The law imposes no restriction on their political activity, as individuals."

What the law says about corporations applies to all of them. That means not merely to industrial firms, like General Motors or General Electric, but even to incorporated trade or professional associations.

The federal writ, Mr. Woodard hastens to add, runs only to federal matters.

"Thus, in state or local elections, corporations can do as they please—contribute their own money to candidates for office, send literature to employees and electioneer in other ways. Subject, however, to state or local laws."

"National banks, and corporations organized by authority of any act of Congress, are a special case."

"In general, they're under tighter restrictions than outlined here."

"But state banks, if incorporated, and most are, are treated like any

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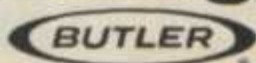
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What Businesses Can Do in Politics *continued*

other corporations by the 1971 Act."

In at least one instance, what the law gives with one hand, it may take away with the other.

Under one section, it permits corporations to do what TRW Inc. set out to do this spring.

The big Cleveland, Ohio, firm notified the Attorney General of its intention to establish the TRW Good Government Fund. The fund would accept voluntary contributions from TRW employees and, in turn, distribute them to political candidates and committees of its choice.

Many companies, in the past, have had similar funds, supported largely if not entirely by company executives.

The Federal Election Campaign Act says this practice is perfectly legal—so long as donors give voluntarily, and the money goes to a separate fund, distinct from the corporation.

Indeed, company executives may pass the hat for the fund. The firm may not chip in money of its own, but it may take care of the fund's administrative costs.

"This means," Mr. Woodard explains, "that it may lend clerical help, provide office space, pay the fund's printing costs and postage and even allow it to use other facilities—like typewriters or the corporate computer, so long as this assistance is reasonable—and not excessive."

"Unions, under the law, have the same right."

What would be excessive administrative help?

"Hypothetical examples may be misleading," Mr. Woodard says. "We merely apply the test of reasonableness."

Common Cause finds a cause

TRW, however, was halted in its tracks by a civil suit filed by Common Cause.

That political action group cited another section of the new law.

It prohibits anyone "entering into any contract with the United States or any Department or agency thereof" from contributing, directly or indirectly, money or other thing of value to any political party, committee or candidate for public office.

So far, the Justice Department has

failed to resolve the apparent conflict. The Attorney General has given his support to a bill introduced by Rep. Samuel L. Devine (R-Ohio), H.R. 15276, that would exempt corporations and labor unions from the ban on political contributions by government contractors, holding they are not "persons" under the meaning of the law.

(Unlike other prohibitions in the law, the government contractor provision applies to partners and individual entrepreneurs.)

Meanwhile, many corporations have shelved or abandoned plans to set up similar funds. In addition, complicated and detailed regulations on fund record-keeping and reporting—a Chamber of Commerce of the United States booklet on new campaign financing laws takes half a

dozen pages to explain them—have discouraged others to whom the ban clearly does not apply.

"Actually, the ban on political contributions was really aimed at people who were purely and simply defense contractors," one executive says.

"But this interpretation would touch almost every major firm, because few don't have at least some contract with the government—even though it may represent a small fraction of their total business."

The companies have company.

"Many unions also have government contracts," Mr. Woodard says. "For example, for manpower training."

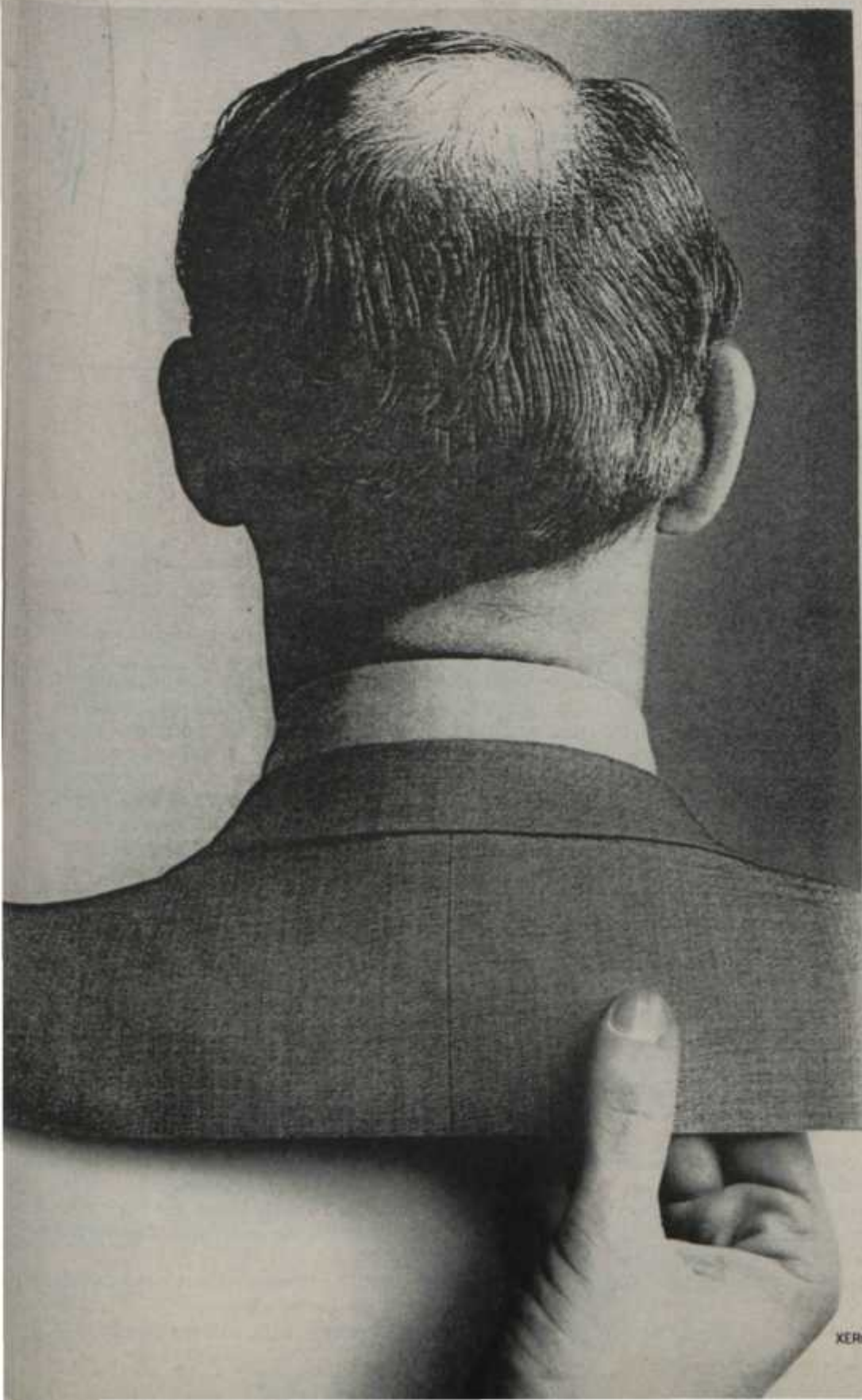
"If corporations with government contracts fall under the ban, so do these unions." **END**



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William Blackie of Caterpillar Tractor

Earth-moving around the Earth

When William Blackie speaks, there's plenty of wisdom to listen to and you get it all with the purest West of Scotland burr—his words carry the melody of Loch Lomond, the Isle of Arran and Robert Burns.

Bill Blackie was born in Glasgow in 1906. He grew up there, studied accounting, business law and economics at commercial colleges and the University of Glasgow. There he began the business career which would carry him to the presidency and chairmanship of Caterpillar Tractor Co.

His first salary was \$75 a year as an apprentice accountant.

In 1930 he was overpowered by the urge to find wider fields and, as so many Scottish youngsters have done, he came to America. He joined the accounting firm of Price Waterhouse & Co. the day after he arrived in Chicago and worked there as an accountant until Caterpillar called him in 1939.

Mr. Blackie has been back to Scotland many times and after one early trip he returned to the U.S. with a bride—Florence Hewens, a girl friend of his boyhood. They have one child, a son who is a Presbyterian minister.

Bill Blackie—except for his native land and his accent—is pure American business, the best of American business.

He has made Caterpillar one of the best-led, most innovative companies in the U.S., as he has helped guide it from humble beginnings to its present position as a model multinational company of giant size—a firm whose wide horizons are symbolized at its headquarters by the flags of countries in which it operates, and by a growing collection of fabrics, screens, statuary and other *objets d'art* from those countries.

Caterpillar has been fantastically successful in the manufacture of heavy-duty agricultural, construction and earth-moving equipment.

It has been so thrifty that less than \$75 million of its assets of well over \$1 billion have come from sale of stock. Everything else has come from retained earnings.

Over the years, by the way, Caterpillar's stock has been split so many times that one original share is now 150 shares.

Caterpillar was formed in a 1925 merger of two small California com-

panies. It soon moved to Peoria, Ill., where it remains—happily—to this day.

Mr. Blackie, who retired at the end of May, is now completely a Peoria man, and there he will continue to live. He intends to spend his retirement years working and thinking.

He's still on Caterpillar's board of directors, and he's also on the boards of Shell Oil Co. and Ampex Corp. And he expects to add another directorship or two to that list. He's also an active worker in behalf of the Smithsonian Institution and American Red Cross.

Here, in an interview with a NATION'S BUSINESS editor, Mr. Blackie discusses subjects ranging from trends in international trade to the decision to headquarter a big company in a small town.

Mr. Blackie, are Scots really tight with their money?

No, just prudent. They don't have so very much and they have to be careful how they use it. They also dislike extravagance and other waste.

There's an old saying that man for man,



William Blackie

continued

Scots are the smartest people in the world. Do you agree?

They have produced some illustrious men, from Adam Smith onward, and they have been strong in some of the more intellectual pursuits. Somehow, they seem to do better outside of Scotland than they do in it. Sir Alexander Fleming went to England and developed penicillin, and Andrew Carnegie and Alexander Graham Bell came to North America to find greatness in business.

Scotland is still a relatively poor country and its natural resources are very limited. Its best resource is people.

Why are Scots called dour?

I really don't think they are dour, though they don't seem to mind being called that. In my experience they preserve their composure until there's a good reason to depart from it.

Do you still rise to the skirl of the bagpipes?

In certain circumstances, and preferably outdoors, they have a certain lure. They can convey better than many other instruments a sense of liveliness on the one hand, and lament on the other—I doubt there's any instrument that can convey a feeling of sorrow more deeply than the pipes.

They go the whole range from the reel to the funeral.

Would you tell us something about your early life?

My boyhood was reasonably normal. After high school, I could have pursued a degree, but very few universities in Britain at that time had business administration in their curricula. I had decided to be a businessman, without really exactly knowing what that was, and I found that businessmen would prefer a chartered accountant to a university graduate. So I became indentured to a chartered accountant for five years.

Do you recall at what point you started regarding yourself as an American rather than a Scot?

Within the first year after I had arrived I reached the conclusion that I wasn't going back. You have to get through that decision before you

reach the one that you're going to stay. I filed first immigration papers soon afterward.

What about the Alexander Botts stories in the old Saturday Evening Post that used to spoof a company which sounded suspiciously like Caterpillar? Did you resent those?

No, quite the contrary. We enjoyed them rather thoroughly. The author, Bill Upson, once worked for us, so he wrote from a factual background. He retired in 1925 in order to take up writing full-time. From time to time he visited us and obtained the genesis of a story. When it came out in the *Post* it wasn't always recognizable, but some of us usually could discern its genesis.

Those were the days when everybody read the *Post*.

It was the magazine taken into the home and everybody read about Botts, Tugboat Annie and the others.

Whether these became outmoded by the times or whether the *Post* lost out by giving them up, I wouldn't know, but I'm still amazed today to have so many people say to me, "What happened to Botts and his Earthworm Tractor Co.?"

Bill Upson is still alive in Middlebury, Vt., writing and lecturing a little.

During your eventful life, what has been your main lesson of leadership?

One fundamental would be a willingness to exercise initiative and to

Bill Blackie's career always had him working at a desk, first as an accountant and later as an executive. But he also tried to spend part of his days looking at products and talking with the workers.

accept responsibility. Without that, you couldn't have the rest.

Caterpillar is often said to be one of the best-managed companies in America. What does it do that is different from other companies?

I haven't worked for any other industrial concern, so possibly I'm not qualified to judge. But we seem to have a few things going for us. One is the kind of people that seem to be attracted to us, people willing to work together. And, the fact that we are headquartered in Peoria—a small, peaceful, wonderful town in the Middle West—may have a bearing.

Another factor, I think, is that from the very beginning our management people insisted on quality of the product. The idea of quality has permeated us in all aspects of the business, in the type of dealerships we have, in the way we do things.

We believe that in our kind of machinery, which is subject to severe usage under all kinds of conditions, anything less than a quality product would be worse than useless.

Do you think that the people who want to work for you, in a small town, are different from the people who might want to work for you if you were in New York?

Yes. Most of our people would consider New York a hardship post.

We wish to retain proximity to our products. We don't want our people just to be familiar with paper work

Don't be too dour
8/8/72



and pictures. We want all of them to have ready access to our factories. Our headquarters office and main plant are across the Illinois River from each other in Peoria. Some people in Manhattan never see the products of their companies.

We deliberately elected to stay in the Middle West and therefore in Peoria when we built our new office headquarters in 1967.

Looking back into Caterpillar's history, was there some sort of a miscalculation with the LeTourneau company on track versus rubber tire for use on big construction machines?

No. Bob LeTourneau was very innovative and had the idea that heavy-duty earth-moving equipment could be put onto rubber tires if the tires were big enough. He was enough of an entrepreneur and inventor to go ahead with that. He told us of his intention to get into the prime mover tractor field and give up being merely allied to Caterpillar as a supplier of bulldozer blades and scrapers for its tractors. So we had a friendly parting of the ways and from being allies we became competitors.

The record will show that LeTourneau's basic idea was good and in due course we ourselves developed our own line of earth-moving equipment on rubber as well as on tracks. By that time, more suitable tires had become available.

What has caused us in America to pass from the worship of bigness for bigness' sake to the belief that bigness is not necessarily goodness?

The change can be attributed to experience, wisdom and a realization that size is not synonymous with performance or quality. That's maturity.

Tremendous changes have taken place in recent years in employee-employer relations. What further changes do you anticipate?

The focal point is the changing nature of authority.

Obedience is no longer a conditioned reflex to command. To obtain obedience willingly, the reason for an action and its expectable effect should be understood and accepted by both parties.

The emerging element in the

scheme of things is a more generally accepted and more widely expanded right of the subordinate to question, to have opportunity to understand why something is expected of him, to appraise the desired results, to offer countersuggestions and, under certain extreme conditions, to refuse compliance.

What I am attempting to emphasize here is that the responsibility for being right which always did fall upon the manager is now becoming more clearly recognized.

Caterpillar is a classic example of a multinational corporation. How do you define the term?

Briefly, it's a corporation that trades internationally, has manufacturing sources in several different countries, and employs nationals in those countries.

How would you characterize the Burke-Hartke bill to restrict imports and U.S. investment abroad, and what would its effect be on American business?

The Burke-Hartke bill is one of the worst pieces of U.S. legislation ever proposed in the field of international trade and investment. It would reverse the liberalization of trade and investment which has been doing so much for so many countries in recent years. It rests on false premises developed by the AFL-CIO and would not serve the best interests of the great mass of union members throughout the United States.

Obviously, it would be very harmful to consumers because the purpose of its so-called "protection" is generally to increase prices within the United States. Consumers would be deprived of not only the opportunity to buy at lower prices but of some of their breadth of choice of goods.

I consider it a rather basic freedom for Americans to be able to buy what they want with their own money and from whatever source they may choose.

Our experiences at Caterpillar refute entirely the basic claims of Burke-Hartke. The record shows very clearly that because of our investments overseas we have increased our exports to every country in which we have created a subsidiary. The in-

creases have been very, very substantial.

Particularly, I could mention countries like the United Kingdom and Brazil, but our greatest increase in business has been in Japan. We are now exporting to Japan 40 times as much as we did before we had our own joint venture there.

Would the bill actually help labor union members?

In my opinion, the total effect on labor would be very harmful. There might be some cases where it would continue to preserve a business or an activity in which the industry couldn't stand up against foreign competition.

In these instances, I would rather support reasonable measures for relief—particularly for the employees rather than the employers. I would favor plans that would give them financial relief against immediate distress and also retraining for other jobs, and relocation to some other payroll.

Burke-Hartke hits at multinational companies?

It hits, really, at all foreign investment on the assumption that it's an export of jobs. That assumption is false.

Do American multinational companies hurt foreigners?

No. One of the basic functions of business and industry is to provide more goods and services for more people. No organizations have done this more effectively throughout the world than the multinational corporations. If the purpose of business is to serve people, then they're doing it very well.

The record will show, based on recent studies by the Department of Commerce and the Emergency Committee for American Trade, that multinational companies which are undertaking investment abroad are also increasing employment and investment within the United States at a greater rate than the average American company is.

Mr. Blackie, how do you explain a protectionist? Why does he believe what he believes?

Lessons of Leadership: William Blackie *continued*

Sometimes he sees harm from imports and, presumably, feels it's more important to protect the relatively few who are harmed than to produce greater benefit for the greater number.

In other instances, protectionism seems to be a form of chauvinism—a feeling that it's better to have people buy American even if it costs considerably more.

For the most part, it seems to arise from a blind spot toward the consumer, the one who pays the price. It ignores the fact that over the long run protection has never really worked.

Many American companies have gone abroad with their investment because it was one way to overcome the protectionists' hurdles created in other countries. If they couldn't penetrate the barrier, they leaped over it.

And it wouldn't be at all bad if more foreign companies were to undertake investment in the United States. It's interesting that Leonard Woodcock of the United Auto Workers suggested it would be a good thing if the Japanese would assemble automobiles within the United States.

About 70 per cent of the products made in your Glasgow plant are exported. This, of course, means a multinational company can be as good for host countries abroad as for the U.S.

This is correct. And I think it is worth noting that whereas host countries formerly sought more import substitutions they now also want exports. The multinationals which can help their host countries in this way will find themselves the most welcome.

What percentage of Caterpillar's income is from operations abroad?

Our revenue from sales runs about 50-50. Now, that means that our sales outside the United States run a little better than \$1 billion. Of that amount, roughly one third comes from overseas production and two thirds from U.S. exports.

With American companies becoming more international, what do you think needs to be done with GATT—the General Agreement on Tariffs and Trade?

GATT has been one of the most

effective instruments ever developed for the furtherance of international trade. Its main purpose and its principal success to date has lain in the multilateral reciprocal reduction of tariffs through concessions among the negotiating parties.

When the Kennedy Round is completed at the end of this year, tariffs will tend to become a relatively minor part of the obstructions. So if GATT is to continue to be really effective, something has to be done about nontariff devices—the ways of circumventing the negotiated tariffs.

I use the word "devices" rather than barriers because we are getting into a time when countries are creating not only obstacles to imports but incentives for exports. To the extent that they depart from the GATT principle, both are violations of the negotiated concessions.

Now I know that we are considering a value-added tax, but I would suggest that we should not adopt one merely so that it may be waived on exports. There ought to be a better, more fundamental national reason than that.

Mr. Blackie, some people feel that we may look back on America's urging of Britain to go into the Common Market as one of the great commercial mistakes of all time. What do you think?

The creation of the Common Market has been favored by the United States largely on political grounds—if the countries of Europe could tie themselves together in effective harmony, incorporating more than just a customs union, it would reduce the tensions and minimize the prospects of further wars.

I believe that hope is being achieved in part, though there always is a danger that the European community could become a bloc, looking inward to itself rather than outward to a constructive place in world affairs. In my opinion that is not happening.

The position of the United Kingdom in the world has changed drastically.

It's no longer the focal point of a great commonwealth in which there were preferential tariffs and natural ties of trade and friendship. Its physical separation from the Continent has only been by 21 miles of water,



Though Mr. Blackie is slight of stature, he has a giant's reputation as a businessman.

and they're going to put a tunnel under that.

I believe the Common Market will be good for Britain and Britain will be good for the Market.

Then, you don't see America's urging of Britain to join the Common Market as a case of telling one of your best customers to trade with the man down the street?

No. I believe Britain can lend its influence now to the European community in such a way that it can help develop stronger ties with the United States.

My hope would be that the European community will expand not only from six countries to 10 countries, but that by incorporation or association it will expand until in essence we are all one big bloc.

You mean you see the possibility of the United States becoming associated with the Common Market?

I think that, in effect, we will achieve some sort of customs union by reducing duties and tariffs toward a minimum—or zero, as recommended in the report of the Williams Commission.

Do you see any danger in the Common Market giving concessions to non-member Mediterranean countries?

This has been a source of discomfort to the United States representatives dealing with the Common Market. I'm inclined to think it's being

somewhat overemphasized. The Europeans argue that whereas we gave aid and tied it to the sale of American goods, their rough counterpart is giving trade advantage—in particular to Mediterranean countries that formerly were associated with France.

Mr. Blackie, you have visited the Soviet bloc. What do you foresee happening to East-West trade, particularly U.S.-Soviet trade, in the next few years?

In 1964 I was a member of the Presidential committee appointed to examine East-West trade, the so-called Miller Committee, and it was our recommendation that through trade and any other available means we try to break down the barriers that were dividing the world into hostile camps.

Whether it be sports or cultural exchange or trade, the more we can deal with each other, meet each other on a people-to-people basis, the more we will whittle away at world misunderstandings.

You approve, then, of the Nixon trip to China, for instance?

The new policy with regard to China is an excellent extension of what our committee recommended in dealing with Soviet Russia and the Eastern European countries.

What comes next in the world monetary arena?

There is a lot of talk today to the effect that American productivity has declined. Our actual experience at Caterpillar is that in terms of physical output per man-hour, American factories are every bit as good as the best of our overseas factories.

So the problem—at least, ours—is then taken out of its physical aspects into two other areas.

One has to do with wage rates, which inevitably differ country by country. The more developed countries always have higher wage rates than the less developed countries. Nothing can be done about that.

The more important thing, and one about which something can be done, involves the fact that the Bretton Woods Agreement has not been carried out in good faith. Some countries

should have revalued but were not doing it. Deficit countries like our own which presumably might have devalued were not doing it. In essence, we were not achieving these shifts in parity realignments that would help preserve real values in international exchange.

Countries were reluctant to do this because of politics rather than economics. There seemed to be a feeling that if a country adjusted the value of its currency vis-a-vis others—whether it revalued or devalued—it was doing something wrong and harmful.

In general, adjustments have occurred only as a result of crises. So we welcomed the fact that last August President Nixon deliberately created a crisis by placing a 10 per cent surcharge on imports with the proviso that it would be removed when the other countries gave us the help needed to preserve a better value for the dollar and improve our position on balance of payments.

That was achieved in part by the Smithsonian Agreement in December, but that was only an interim measure. It provided some temporary relief by our devaluation and the revaluation of most of the other important currencies.

And your prescription for permanent relief?

What we need is a system much more flexible than we have had in the past—one in which adjustments will occur more frequently but in smaller, easily digestible amounts.

Whether we can go to a complete float of currency values is something I can't say. But I do feel that businessmen can live with more flexible rates much more readily than they can live with the drastic changes which occur as a reaction to crises.

END

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Brainpower—an Answer to Our Energy Problem

BY DR. RALPH E. LAPP

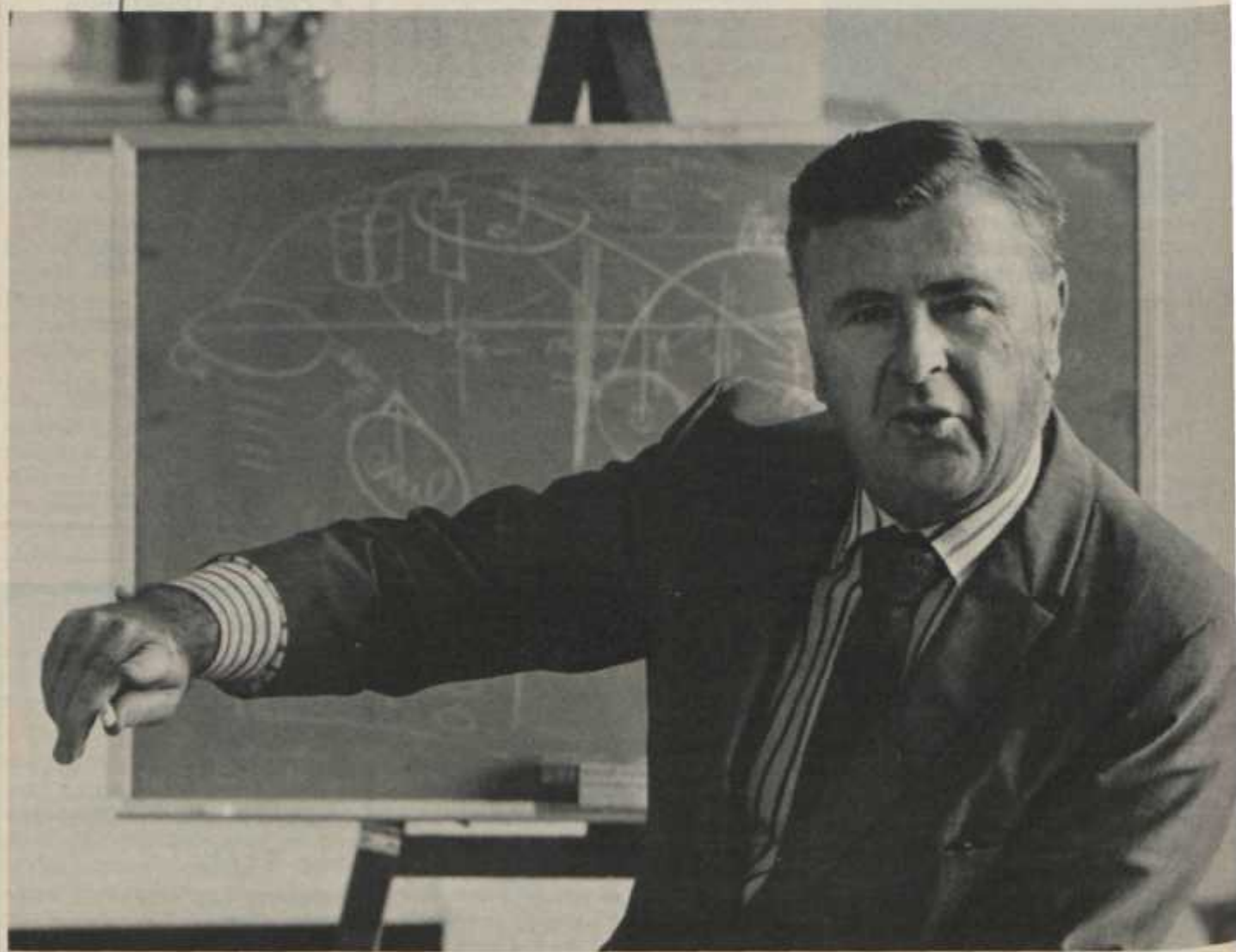


PHOTO: GARRY BLACKMAN

Dr. Lapp is one of America's best-known physicists. He worked on the Manhattan Project which produced the atomic bomb in 1945, and he later served with the Argonne National Laboratory. He has taught physics, served in several high Defense Department posts and authored 14 books. He is now a senior member of Quadri-Science, Inc., a Washington scientific consulting firm, and is a consultant for the Senate Committee on Public Works.

Ours is an energetic nation—a country of dynamic industry and of people on the move. Pulling up to a gas station, a driver says, "Fill it up," and is accustomed to driving away with a full tank. A housewife flicking a switch expects the lights to go on.

Now, we are told, an energy crisis is at hand. Electric utilities warn of blackouts and brownouts, and gas companies are telling new customers to switch to oil or electricity for heating. And as for oil, that great ener-

gizer of our industry and transport, increasing amounts come from overseas. Are we really running out of natural gas and oil? Or is this some temporary imbalance which American know-how will correct?

The United States has been blessed with such an abundance of fossil fuels—coal, oil and natural gas—that it finds it hard to believe that the days of energy affluence are numbered. However, veins of coal, pools of oil and gas reservoirs are one-time-only

A prominent scientist urges a massive government-private research and development effort to provide our economy with the fuel it needs

inheritances. Once exhausted, they are gone forever, and the U.S. fuel appetite grows with each day.

A century ago, the United States got most of its energy by wood-burning. (Even in my own childhood, my family's kitchen stove burned wood and I had the task of shining it with a greasy black polish.)

Then the nation shifted to coal, which remained at the top of the energy heap until mid-century when oil became the No. 1 fuel. And natural gas caught on because of its convenience, cheapness and clean blue flame.

This year the U.S. will burn about six billion barrels of oil, 25 trillion cubic feet of natural gas and over two thirds of a billion tons of coal. If we take the heat value of coal and gas and convert all these fuel totals to their oil equivalent, it turns out that on average, 2,600 gallons of oil is being demanded for each person in the U.S. this year.

When coal was king at the turn of the century the 76 million Americans were less energy-affluent. There were only a few thousand cars to gulp down gasoline and there were few oil-burning electric plants. The nation poked along at an energy consumption corresponding to 900 gallons per person per year.

At the turn of the next century, assuming total energy use continues to grow at its past annual rate of about 4 per cent, the U.S. will require energy equal to burning 35 billion barrels of oil per year. That's 5,200 gallons for each of the 280 million Americans who—according to a modest estimate of the Bureau of the Census—will be living in the year 2000.

While the actual per capita growth in energy usage will increase sixfold over the course of 100 years, and the growth in total energy usage will be 22-fold, the increase in electrical energy consumption will be far more spectacular, rising from five billion kilowatt-hours in 1900 to an estimat-

ed 9,000 billion at century's end. That's a skyrocketing growth of almost 2,000-fold.

These statistics, stupefying as they may appear, mean nothing unless they are related to fuel supply. But the very rate of energy use in our industrial society does suggest the origins of the impending energy crisis—though it may be premature to use the word "crisis," since as Dr. James R. Schlesinger, chairman of the Atomic Energy Commission, noted earlier this year: "A crisis, after all, comes only if it is unanticipated, and if appropriate policy adjustments are not made."

Unfortunately, Americans are not used to taking a very long-range view of the future's problems, and solutions in the energy field are necessarily long-term propositions. In a very real sense our political system, in which elected officials think in two-, four- and six-year time spans, is hostile to long-range planning. Proper energy planning must look 30 and 50 years into the future to be effective.

The gas gap

Now the first and most urgent energy gap is found in the supply of natural gas to keep homes warm, industrial ovens hot and some gas-fired electric plants in operation. Natural gas, the least polluting of fossil fuels, is in great demand. But domestic supplies have not kept in step with demand.

Result: A gas gap is opening up and no energy experts really expect it will be closed in this century.

The Federal Power Commission's Bureau of Natural Gas estimated earlier this year that by 1990 the United States would need 46 trillion cubic feet of natural gas annually, but that there would be a deficit of 17 Tcf. This estimate took into account new reserves being found, and imports of gas from Canada and Alaska, as well as liquefied natural gas imports from abroad.

(It's entirely possible, by the way, that the U.S. will be swapping wheat and cereals for Russia's natural gas and importing it in liquid form from Murmansk or Odessa. This could be a useful supplement, but not a gap-filler.)

My own view is that the Bureau has underestimated demand. If one analyzes the historic trend of gas use, it appears that U.S. demand for natural gas in 1990 will be as much as 65 Tcf.

The gas gap would then be 36 Tcf.

What happens when there are shortages of natural gas? Utilities cut off supplies of gas to industrial customers and plants shut down. Last winter was a very mild one in most of the country; in fact, some ski resorts in New England went broke. But if the icy hand of a severe cold spell had gripped the Northeastern states, there would have been real economic impact which, in our highly organized industrial society, could have produced a domino effect.

The United States has today in its proved reserves about 250 Tcf of natural gas. Conservation dictates that one try to maintain a 10 to one reserve to production ratio, meaning that you draw no more than 25 Tcf from U.S. wells unless you find more. The trouble is that we are using more and finding less.

Natural gas, today, is still a great energy bargain, being regulated at the wellhead with prices controlled by the Federal Power Commission. Deterred by FPC wellhead prices and higher exploration and production costs, U.S. companies are investing their capital elsewhere—in buying up resort hotels, and in drilling in the North Sea and other areas where a higher profit is anticipated.

Also, some companies are contracting to buy natural gas from some of the most remote places on earth. Gas is being pumped from Algerian desert wells (where it costs only two to four cents a thousand cubic feet at

Answer to Our Energy Problem

continued

the wellhead) to port facilities on the Mediterranean where it is processed and liquefied.

Converted to colorless, odorless fluid at -258 degrees, this liquefied natural gas is pumped into specially constructed tankers which are really floating Thermos jugs capable of carrying several billion cubic feet of natural gas in liquid form. Transportation and storage charges are high and LNG from various foreign sources reaches many city-gates at \$1.25 or more a thousand cubic feet. That's a wholesale price almost three times the price of natural gas pumped in by pipeline from wells in Texas and Louisiana, the great gas grounds of the U.S.

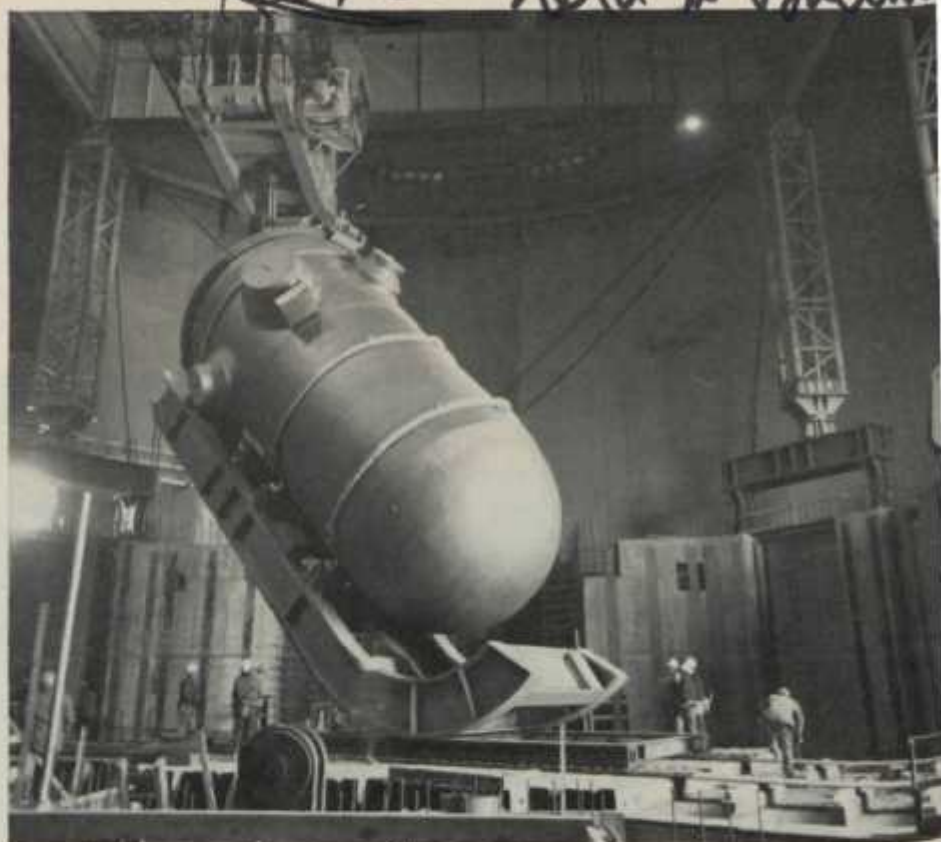
But LNG is not the answer to the U.S. gas gap, useful as it may be in providing energy at times of great necessity.

The fact is that demand has simply overrun supply and the low wellhead prices of natural gas do not encourage aggressive exploration to find new gas. Shouldn't we be paying more at the wellhead so as to increase the funds needed for exploration—which is the only way we can add to reserves? I think so, provided the money is earmarked for exploration.

America does have vast coal beds, especially sub-bituminous and lignite deposits in Western states like Montana and Wyoming. These could become the new Texas and Louisiana of the gas supply, providing the quickening touch of technology allows coal to be gasified. It's an expensive proposition at present and huge capital outlays will be needed to build large gasification plants, but then cheap energy is vanishing from the U.S. landscape.

The U.S. has coal in abundance; the limiting factors today are getting it out of the earth safely and cleaning it to remove sulfur. Here we can think of coal gasification as a pollution countermeasure—producing clean gas from what otherwise might be objectionable coal. Adequately controlled strip mining, as practiced in some U.S. states, can return exploited land to better-than-before condition.

A fundamental point to bear in mind about coal is that it is not only plentiful, it is within our borders. We



A 550-ton reactor vessel is installed at the Calvert Cliffs, Md., atomic power plant, which is being built by Baltimore Gas and Electric Co. Dr. Lapp writes that the public, in years ahead, may "beg" for such plants.

should be prepared to pay a premium for "energy security"—domestic energy resources which are not subject to interruption due to political or economic factors abroad.

Oil, the vital elixir

If natural gas is a major problem, petroleum is even more critical to our energy economy. Without the vital elixir of oil the United States would suffer massive paralysis. Our mobility—basically the auto and the airplane—depends upon constant flow of gasoline and kerosene fuel.

It requires the input of a full 42-gallon barrel of oil at the refinery to fill the gas tank of the high horsepower car. Yet from oil in the ground to rubber on the roadway, the auto is only about 5 per cent efficient—meaning that the full energy value of only one gallon in 20 is used in the modern car. This is true even though the gasoline engine is one of the most highly perfected mechanisms in our industrial society.

The suburban commuter burns up about one gallon of gasoline for every

10 miles he travels. If you think of a human being as a calorie machine to whom food is fed instead of gasoline (both produce heat) then the single commuter uses 50 times more energy driving a mile than walking to work. Bicycling, he or she uses even less energy than walking. Given the horde of motorcars on the road, adding up to more than 20 billion horsepower and totaling more than a trillion miles a year, it's no wonder demand for oil is high.

This country is now burning up about six times as much oil as it did in Depression days. Since 1942 our consumption has amounted to a total of 110 billion barrels. That's more than half the oil which experts judge is ultimately recoverable from oil fields in the continental U.S. and offshore. As in the case of natural gas, we are finding less oil and using more.

From 1973 through to the end of the century, U.S. oil demand, as reckoned by many energy experts, will total 282 billion barrels. Even allowing for 10 billion or more barrels in Alas-

San & Glen Co.

ka, our supply will peak in the next decade and then decline. Little more than 100 billion barrels promise to come from U.S. supplies, leaving a deficit of 169 billion barrels.

How will we fill the gap between demand and supply? The answer is one word—imports, which already supply a fourth of the oil used in this country. And these will have to come primarily from the Persian Gulf. Kuwait, for example, which is about the size of Rhode Island and Connecticut, owns a pool of oil equal in reserves to that of the entire Western Hemisphere.

Middle Eastern oil comes out of the ground at 10 cents a barrel but reaches our Atlantic ports at \$1.25 per barrel. The producer-country revenue runs 60 cents a barrel and we must expect that this will double and triple in coming decades. Just imagine what this means to our balance of payments: Multiply \$1 or \$2 per barrel by 169 billion and you sense the magnitude of the U.S. foreign exchange problem.

In the year 2000, we could be importing 80 per cent of our oil. Our problem will be more than one of energy security; it will be primarily protection of the American dollar.

Brainpower and nuclear power

No matter how you analyze the energy problem, there remains the conclusion that we are exhausting our premium fuels, oil and natural gas, upon which we depend today for three fourths of all our energy. In this decade the United States passes over the Great Energy Divide and will thereafter be on the downward slope of its fossil energy resource exploitation.

Conservation groups already sense the magnitude of this issue and some cry out for "Zero Growth"—for leveling off our demand for energy. Admirable as this proposal is from a resource viewpoint, it fails to reckon with economic reality. There is simply no way to slam brakes on the U.S. economic juggernaut. Growth is an imperative of our national economy. Tell the Governor of Maryland that he must run on a platform of no more electric power plants for his state, and industry will move elsewhere.

Although I have painted a rather grim picture of the energy future, the situation is far from hopeless. The United States is still the world's No. 1 technological power and it possesses the brainpower to solve many energy problems. Energy is too important to the future wellbeing of all Americans for the nation to proceed blindly into energy bankruptcy. For one thing, over half a barrel of oil can be won from a ton of the oil shale and there are more than 600 billion barrels of this oil in Rocky Mountain deposits.

We must begin attacking the energy issue along the same lines followed by the Atomic Energy Commission in its development of nuclear-electric power. To be sure, there are things wrong with the AEC-industry teamwork, but nothing that is irreparable. It represents the only concerted, long-range, approach to energy policy in the United States.

By the end of the century, if all goes well, nuclear power plants will be supplying 60 per cent of U.S. electric energy. That's a fabulous technological tour de force which is being accomplished with federal-industrial partnership and with the potential for a highly favorable balance of payments.

Friends of the environment who scorn nuclear power are not very realistic when they proffer solar, geothermal or tidal power as alternatives. Some even recommend windmills.

My own conclusion, after carefully studying these possibilities, is that they offer little hope for the future.

The only option is nuclear power as our prime energy source in the next century. By 1985, the public may be begging utility companies to build nuclear plants, rather than condemning them as polluters. Admittedly, nuclear power has its faults but this requires that man be its unremitting master and that plants be designed and sited so as to insure the public safety.

In the long run, scientists may seize the true "gift of fire" and kindle on earth a controlled source of universal energy—imitating what goes on in our sun's core and making hydrogen fusion a practical source of power. Then man will have at his dis-

posal the means of turning the very waters of the ocean into energy, and the tantalizing statistic—a gallon of sea water equals the power of 300 gallons of gasoline—can come to life. But it's a long way off.

However, tapping the sun's ultimate source of energy won't put gasoline in your automobile. Fusion power, like uranium power, means central station generation of electricity.

To be sure, there's been much talk of vehicles powered by electric batteries, but electric cars require a huge weight of batteries. These in turn are costly, both in dollars and in mineral resources, and they do not deliver the speed, acceleration and range of the gasoline-powered car.

And even if technology turns up a cheap, lightweight, powerful battery, it will require a daily charge of electricity.

Switching from one power source to another does not change the name of the energy game—you have to find fuel.

We are going to have to pay more for our energy. There's no doubt about it. And in doing so, we will open the way to find more energy producing materials.

As the energy pinch starts to affect the quality of American life, environmentalists will have tough sledding. A hard-hat worker, sweating it out during an electrical blackout, deprived of TV and nursing a can of lukewarm beer, will have his own perspective on environmental risks. Thus the environmental movement is subject to serious backlash.

There is no easy solution to the intertwined issues of protecting the environment while energizing our economy. We must begin the research and development of an energy program designed to serve the nation's needs for the coming decades. This country's annual expenditures for energy amount to 10 per cent of its gross national product, but far less than a tenth of 1 per cent of the GNP is devoted to research and development on energy.

I would suggest that U.S. energy security dictates that the R&D effort be doubled in this decade. The nation has yet to wake up to the meaning of an energy crisis. END

\$trictly Personal

BY PETER WEAVER

Homework: Daddy's office

A growing number of educators and child psychiatrists feel our school-children aren't learning about the "real world" soon enough. Says Dr. Hendrik D. Gideonse, dean, Cincinnati University College of Education: "We shouldn't put children in schools to learn about the world, we should let them go out in the world and learn."

Dean Gideonse says youngsters should be investigating careers and work situations while they're in the sixth, seventh and eighth grades.

A few schools already are experimenting with programs that involve children making formal "homework" visits at their parents' places of work for one or more days during the semester. Before going, students discuss the kind of questions to be asked. After the visits, they are graded on written or oral reports about the kinds of jobs their fathers (or mothers) have, the qualifications for those jobs and the pros and cons of the various careers investigated.

Aside from the children learning more about the "employed world," educators say, there will be fringe benefits from closer family ties. Children, they report, want to relate to their parents' work but often don't get the chance.

At the high school level, Dean Gideonse advises, "students should become involved in regular work-

study programs with part-time jobs in the community that qualify as laboratory credit for specific courses." Parkway School in Philadelphia has this kind of work-study program. So does the Santa Ana, Calif., high school, which counts on more than 1,000 part-time community jobs as "real-world learning laboratories."

Most community colleges now offer work-study programs, which some educators feel are the wave of the future. "This way," says Dean Gideonse, "youngsters are more in touch with reality and they can sample various careers before concentrating on any one field."

Hair today, gone tomorrow

If you plan to travel abroad with a teen-age son, better check to see if the countries you intend to visit have any "no-cut, no-go" restrictions on hair length.

One couple was shocked to learn their son might be refused entry into Mexico unless he cut his shoulder-length hair. How long is "too long?" Mexican tourist officials say hair should be "up nearer the ears where it won't attract attention."

Apparently, bands of young Americans have gone on the rampage in several Mexican cities. Because of this, Mexican police are prone to pick up long-haired youths on suspicion, whether they're legitimate tourists or not.

There are no restrictions on teen-age girls' hair but officials say a girl must be properly dressed, and not look like "a commune dropout."

Tourist agents say Singapore and some other Far Eastern ports of entry are also refusing to admit unkempt American youths. So are Morocco, Turkey and Iran. Spain will let long hair in but really gives baggage a going over in search of drugs.

Wild rides for railroad buffs

Want to be the first one on your block to take a ride on the Mamore-Madeira railroad, which was built in Brazil's Amazon jungle more than 100 years ago? They say that one worker died of disease or exhaustion for every tie that was laid.

Or, how about boarding the Ouagadougou Express on its African run from Abidjan to Upper Volta?

You can get brochures on special tours covering these railroad lines by writing: Amazon-African Explorers, Professional Building, Route 9, Parlin, N.J.

Air fare refunds

If you plan a complicated trip by air that involves the possibility of canceling certain portions, be careful how you pay for your ticket.

Travel agents say refunds on canceled plane tickets purchased with credit cards often arrive months later. When there's a possibility of a cancellation, it's better to buy your ticket directly from the airline with cash or check. This way, you're assured of getting prompt refunds.

MR. WEAVER writes a syndicated newspaper column on personal finance, and has a radio program which is broadcast by more than 100 stations.

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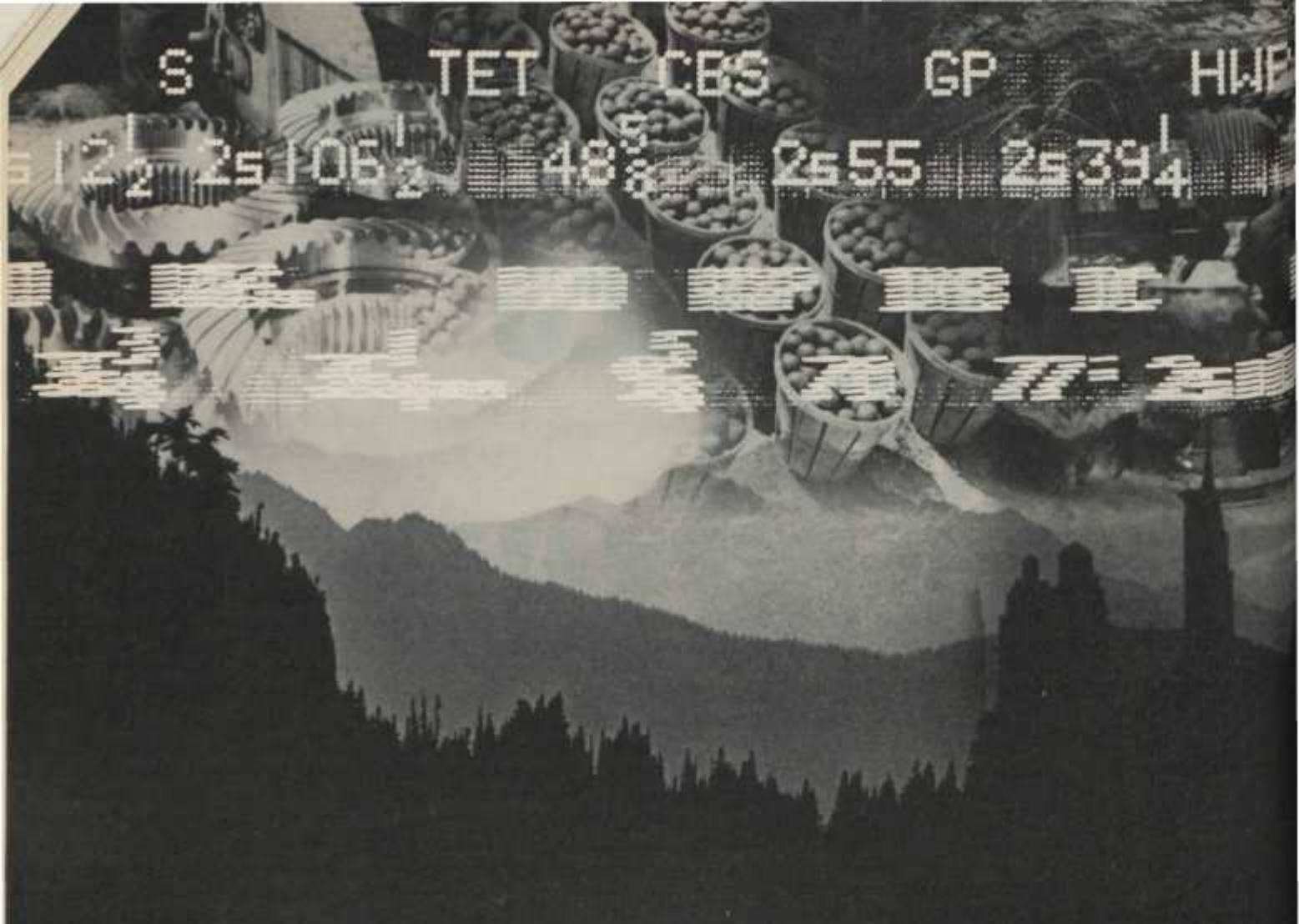
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What the Stock Market Is

Sen All in all, the long-range outlook is hopeful for investors, for raising capital and for capitalism itself

American capitalism—which has been through a sea of troubles lately—is entering a new era.

Momentous economic and financial changes have come so thick and fast, it has been difficult to see exactly where we were heading. But if it appears that capitalism is deep in difficulty, a closer look is needed. Despite the jarring events of the past few

years, there are a remarkable number of sound reasons for optimism in the immediate and longer-range future.

It goes almost without saying that our system of private enterprise and private decision-making has propelled the wheels of progress throughout the nation's history. About 32 million Americans own stocks in American corporations today, and another 70 million are indirect capitalists through pension plans and life insurance policies. And all Americans either work for corporations or buy their products and services.

The health of our capitalistic system is, obviously, of cardinal importance to the whole nation.

Although the system has been transformed throughout the years as government—through taxation and subsidies—has directed resources into

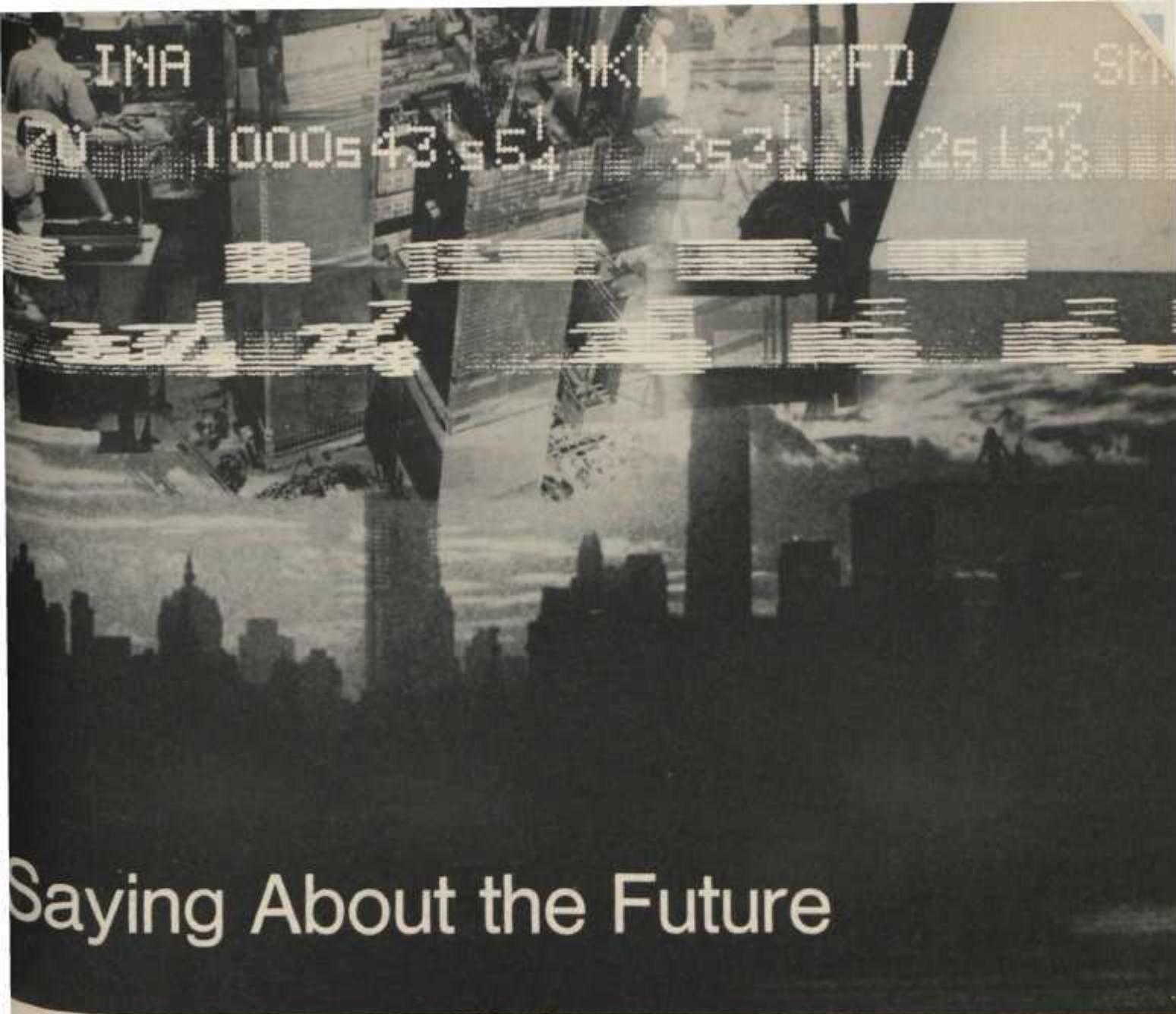
socially dictated channels, capital is still allocated, by and large, through the competitive demands of the marketplace as business seeks to maximize profits.

But what happened as we turned into the 1970s to so challenge and disrupt our system?

Let's look at perhaps the best barometer of capitalism—the stock market.

Since stock market indexes were conceived a century ago, common stocks have been able to give investors an average annual return of more than 9 per cent. And, according to University of Chicago studies, during the 1945 to 1965 period, stocks showed an even higher average yearly return—more than 12 per cent.

The growth in the 1960s of institutional investors—pension funds, trust



Saying About the Future

PHOTOS: BLACK STAR AND CHARLES ROTHMAN; MONTAGE: KERRY BLACKMAN

funds, insurance companies and mutual funds—accelerated the demand for common stock. At the same time corporations increasingly were turning to debt, rather than equity, financing, which reduced the supply of shares and propelled stock prices upward.

Wall Street of dreams

In the late '60s, competition for investment performance that would furnish fast and fat returns gave birth to "hot" issues and created the illusion among investors that the market could go in only one direction—up.

Meanwhile, the costs of the Viet Nam War and government domestic programs, combined with the push of ever-higher wages, touched off the worst inflation in nearly 20 years.

Inflation drove interest rates and

bond yields to levels that competed with the return on equities.

"Why should I risk my money in the market," many an investor was asking himself, "if I can get almost as much in a government-insured savings and loan account and even more in a triple-A corporate bond?"

Inflation not only was forcing interest rates up, it was pushing profits down. Profit margins for manufacturing companies in 1970 averaged only 4 per cent, the lowest since World War II.

As the decade of the 1960s neared its end, excesses in the stock market, in brokers' offices and in the economy became apparent. All this on top of an unpopular war and domestic turmoil. The market plunge of 1969-70 was inevitable.

Stock prices, as measured by the

Dow-Jones Industrial Average, fell from 985 at the end of 1968 to 631 in mid-1970. More than 100 brokerage houses went out of business. And although the market has fought back to the over-900 range since then, concerns linger.

For one, the market has lost some of its liquidity. There aren't always big enough buyers for the big block sellers. Many small investors have left the market, bearing the scars of 1969-70.

For another, the stock market—particularly the New York Stock Exchange—is being besieged by legislators, by regulators and from within the financial community in an effort to drastically change the way it does business.

Finally, corporations are expected to depend much more on the stock

What the Stock Market Is Saying About the Future *continued*

market to raise capital in the 1970s. Securities and Exchange Commission Chairman William J. Casey has said: "American corporations will need unprecedented amounts of new equity capital for the balance of this decade. . . . We were raising \$3 billion to \$4 billion in the closing years of the last decade. We will have to be raising from \$10 billion to \$15 billion a year for most of this decade."

The shaken corporation

While Wall Street has been battered and cursed, the corporation itself has been shaken to its foundations by militant consumerists, hyperactive stockholders and social theorists.

The research firm of Daniel Yankelovich, Inc., for example, reported that although 58 per cent of the populace in 1969 gave business high marks for "achieving a good balance between profits and service to the public," in 1970 public support abruptly fell to only 29 per cent.

Much of the reason undoubtedly lay in the rise of the consumer protection movement, consumer legislation and concern about pollution.

So-called "corporate democracy" was being demanded at stockholder meetings, and proxy fights increasingly centered on whether directors on corporate boards should include customers, employees and members of minority groups.

Critics of corporations are asking that business be held accountable not just for their profit contribution but for their social contribution.

A new kind of balance sheet is being called for, which is involving business executives increasingly with environmentalists, civil rights groups, government regulators and, sometimes, out-and-out radicals.

Although those who flout the law could disrupt the private enterprise system temporarily with violence, critics who work within our legal framework could have more lasting impact. One idea that is getting increased attention is to have Washington issue corporate charters.

Consumerist Ralph Nader, Sen. Fred Harris of Oklahoma and some lawyers and academicians are plugging for federal rather than state chartering of corporations to set up

and enforce political standards for companies.

In effect, a corporate charter would be a national franchise for a company to operate. The charter could have time limits and be renewable only if the corporation operated according to federal requirements for social responsibility. For example, it could have to meet certain minority hiring and environmental control standards and make only products which a federal bureaucracy judges useful to society.

Although no one can foresee the sharp details of the future, the broad outlines can be forecast for American capitalism as it heads into a new era.

Market outlook brightens

Again, let's look at the stock market: More has changed in the past three years than in the past 30. And without doubt the changes still to come will build a stronger mechanism for raising capital as well as attracting new investors to the market in new ways.

Pressures from government and from within the securities industry most likely will improve the structure, efficiency and performance of our capital markets. Already much has been done.

Near the end of 1970, Congress passed the Securities Investor Protection Act, which gave investors the assurance that securities and cash left with their brokers would be protected, just as insured bank deposits are guarded. Brokerage houses now must keep more liquid capital and be more careful in the use of customers' funds. Back offices which were swamped in the active markets in the '60s are being automated, and paper work is being consolidated.

SEC Chairman Casey has made a crusade of trying to restore public confidence in the market. He has predicted great progress in making more information on earnings prospects and other investment matters broadly available—which he sees as a step toward his goal.

Congressional hearings, SEC hearings and industry group studies indicate the eventual establishment of a system to make prices, volume and quotations in all markets available to all, probably through a national ex-

change linking all market-makers electronically.

Besides the variety of reforms made and in the making, the stock market has inherent qualities that make it attractive in either bull or bear markets. What other investments than equities have the same availability, liquidity and potential return?

Value of devaluation

More immediately, there is near unanimity that the market is on solid ground. And, as one highly respected market research organization put it, increasing international trade, rising business confidence, improved financial stability and growing corporate profits "may confidently be expected to follow."

The international monetary accord to devalue the dollar, which President Nixon called "the most significant monetary agreement in the history of the world," had unquestionable impact on the stock market.

There are several reasons for this. After the dollar was devaluated, international money—which traditionally flows to a devalued currency—came into the market. American stocks, like other things, were less expensive for foreigners.

Business planning, international as well as domestic, has been resumed. Inventories have been rebuilt and corporate capital expenditures expanded. Production is advancing to meet the expected demand for increased U.S. exports, and corporate profits will probably continue to rise. At the same time, inflation will have been slowed.

All of which is good for the stock market—and for capitalism.

Despite the general high level of stock prices for many months, worriers have continued to express concern that the "little guy" has been driven away from the market. They warn that this will decrease the number of buyers and sellers and thus the liquidity of the market, that it will bring on sharper price fluctuations which will further reduce the market's liquidity.

The little-noticed fact is that the number of individual investors—who hold about two thirds of the total value of stock listed on the Big Board—

has been rising. By the end of 1971 there were nearly 60 per cent more individual investors than in 1965. Odd-lot volume—orders of less than 100 shares—increased in 1971 for the first time in four years, though sales still exceeded purchases. So any liquidity problem may be exaggerated.

As for investor opportunities in today's complex securities arena, many individual investors are drawn to the market indirectly and become investors through such institutions as mutual funds. Mutual fund shareholder accounts increased throughout the bear market, and—despite a rise in redemptions—there now are twice as many owners of funds as owners of all stock listed on the American Stock Exchange.

As American families' earnings rise—those with incomes of \$15,000 and over are expected to double by 1980—they will have more to invest. Studies have shown the cost for a typical family to raise a child and put him through college can range between \$40,000 and \$75,000. So the head of the house will have to realize that future living costs will rise at such a rate that investment in equities or real estate—whose value tends to grow with the economy—is a necessity.

All in all, then, the outlook for raising capital and the long-run opportunities for investors are quite hopeful.

Corporations take action

But what of the future of the corporation—besieged by consumerists, politicians and activists of assorted shapes and sizes?

In truth, American business has already made massive contributions toward solving the most intractable social and economic problems while simultaneously installing expensive environmental controls at an accelerating rate. Examples of corporate responsibility and corporate successes, ranging from race relations to job retraining, are legion.

Increasing thought is being given to cooperative ventures not just by one corporation but by groups of corporations, sometimes in a variety of industries, which could amass their resources and know-how to take on enormous social projects.

As for the idea of a new law to es-

tablish federal chartering of corporations to ensure that they make social progress, it will likely prove impractical as well as unpopular once it has had adequate public airing.

Regulation of the diversity of corporate performance would be a bureaucratic nightmare requiring control by a federal supercommission. Moreover, there probably is nothing in a federal charter procedure that Congress can't do directly—if it really wants to—under the broad "commerce clause" of the Constitution.

Many business executives believe the corporation serves society best when it seeks the highest profits for its stockholders. To do this it has to make the best allocation of resources, and the best products at least cost. It cannot take in the capital it needs for growth unless it can properly reward its shareholders while producing products which it can successfully sell.

Many other executives are convinced that it is in the best interest of the stockholder, the employee, the customer and the public if the corporation can not only move with the public tide and keep its image intact but also make outlays to improve the environment, increase product quality and upgrade its workers.

And some are predicting that "social audits" and other accounting methods will be adopted broadly one day and will be published in annual reports to show the corporation's social performance in dollar terms.

If the corporate "good" is inventoried and properly publicized, and projects' and programs' actual values are determined for all statistic-loving Americans to see, the critics of corporations will have a difficult time gaining much public support.

Whatever the twists and turns of the economy, the dips and flights of the stock market and the criticisms or compliments of the public and the politicians, the capitalist system has served us well in the past and will in the future.

It is the interplay of competitive forces in the marketplace determining how the capital pie will be sliced that makes it all work. And it will probably work even more efficiently in the new era ahead.

—TAIT TRUSSELL



Can Cities Reverse the Exodus of Business?

Nation's Business will tell its readers what action cities are taking in the Industrial Development section of the October issue. Each city uses a different technique.

Houston does it the Texas way. Milwaukee has a land bank. And Pittston, Pa. promotes itself as the crossroad of the railroads.

You'll read how the city fathers are changing their promotion tactics to lure business back into the fold.

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How Business Bolsters Our Intelligence Defenses

From building eyes in the sky to advising Presidents, businessmen are deeply involved in an essential but hush-hush national activity



ILLUSTRATION: PAUL HOFFMASTER

High over the Eurasian land mass, two Project 647 satellites (Made in U.S.A.) patrol unusual "dwelling" orbits, their delicate sensors watching for a missile launching in the Soviet Union or a nuclear explosion in China.

A propulsion engineer in a secure, windowless California office calculates the range of an Egyptian anti-shiping missile from data gathered by the Central Intelligence Agency. A computer analyst in Boston, his advice needed by the code-breaking National Security Agency, hops a plane to Washington. And a corporate executive answers the President's personal plea for some unpublicized counsel on how to reorganize the Defense Intelligence Agency.

American industry, a world leader in advanced technology, is deep into the complexities of modern intelligence work—and much quieter about it than a swinging James Bond.

The U.S. intelligence establishment, once comparatively simple, is now huge as well as highly sophisticated, costing the government some \$6 billion a year and directly employing 200,000 men and women.

One expert has estimated that 70 per cent of this money and manpower is inextricably involved with the science and technology that, in less than two decades, have revolutionized an essential national activity—essential despite the thaw in the Cold War.

The revolution began one December afternoon in 1954 when Trevor Gardner, a former California businessman who was the Air Force's research and development chief, picked up his Pentagon telephone to make a call at the CIA's request. The man he called was Clarence (Kelly) Johnson, Lockheed Aircraft Corp.'s chief designer, in Burbank, Calif. Nineteen months later, Mr. Johnson's ubiqui-

tous U-2—designed, built and tested in an atmosphere of extreme secrecy—made its first spy flight for the CIA over the Soviet Union.

Today, the U-2 still flies reconnaissance missions over Cuba, potential Latin American trouble spots and the troubled deserts of the Middle East. Its intelligence "cover" was blown in 1960 when a Soviet missile knocked Francis Gary Powers from the sky over Sverdlovsk. But its cameras still rank among the world's best, it can slip over a target more easily than a satellite—and it remains an undisputed symbol of modern, technological espionage.

Ironically, Lockheed did almost as much to push the U-2 into the open—by creating superior spycraft, and therefore reducing the need for secrecy about it—as the Sverdlovsk marksmen did. By 1960, work was well along on a supersonic successor aircraft, the Lockheed SR-71, and on in-

How Business Bolsters Our Intelligence Defenses *continued*

creasingly sophisticated spacecraft that keep an entire planet under observation.

Under the peculiar rules of the intelligence game, Lockheed can admit what everyone already knows—that the U-2 was and is a spy plane. However, it can only concede that the Air Force SR-71 has "strategic reconnaissance" as its mission. And the company cannot even discuss the fact that its Agena rockets have carried almost every American spy satellite launched in the past dozen years.

The rocket's role

While the U-2 clearly marked the beginning of the new espionage, the rocket quickly proved a far more dramatic instrument of change.

Sputnik I, launched on Oct. 4, 1957, left no doubt that rocketry had altered man's destiny.

And the prying eye of the intelligence camera soon peered down from 100 miles in space, rather than 100,000 feet. Big names in the high-technology industries were quietly recruited—General Electric Co., CBS Laboratories, Bell Telephone Laboratories, RCA and Philco-Ford, Itek Corp., Eastman Kodak Co., Perkin-Elmer Co., Aerojet-General Corp., TRW Inc.—as well as thousands of smaller suppliers.

Only when first cousins of clandestine devices developed for intelligence work show up in civilian life—in the camera system of the Lunar Orbiter, for example—can companies take oblique credit for remarkable technical achievements.

Industrialist John A. McCone, who succeeded aging spymaster Allen W. Dulles as Central Intelligence Agency director in 1961, and is now back in industry, is given much of the credit for harnessing industry and technology to the intelligence community's needs.

"Dulles had no background for this kind of thing," a top intelligence executive recalls. "McCone had headed the Atomic Energy Commission and been Under Secretary of the Air Force, and he fancied himself something of an engineer."

"He wasn't afraid of the technological game."

The simple communication link that Mr. Gardner used to order the

U-2 from Mr. Johnson still operates.

"We can pick up the phone to a West Coast contractor and say, 'Go ahead,'" an intelligence official reports. "Research and development is different in this field than in the military services. We are just plain less bureaucratic."

"Contractors say it is a pleasure to deal with us because they can get decisions quickly. The security rules are hard to live with, but they are more than counterbalanced by the lack of complications."

The leading consumer of new intelligence technology, the CIA, initiates more than 50 per cent of the R&D projects it sponsors but depends on industry for many new ideas. Surprisingly, it and the other intelligence agencies also depend heavily on companies for analytical help. "We don't contract out 'current business' [the hottest new intelligence data] but we might ask someone to do a six-month exhaustive study, say, on the accuracy of an ICBM," one government intelligence official explains.

Figuring out the SS-9

A specific example is Russia's SS-9 intercontinental ballistic missile, leading weapon in the Soviet strategic arsenal. Outside guidance experts have been asked to determine its ability to pinpoint a target thousands of miles from its own launching silo. If its accuracy is high enough, the SS-9 might be able to destroy a U.S. Minuteman silo. Knowing how accurate it is would help to indicate whether Russia might someday contemplate a "first strike" against the United States.

For such an analytical job, an intelligence man looks to the company with the proper expertise. But security must be uppermost in his mind, and things don't always move swiftly.

"We deal with senior management," an intelligence official says. "Often, special secure facilities have to be built. They pick and clear [for security] certain of their people. So it may be six months or more before we get cracking on a new contract."

The official adds that, "We give them every scrap of data we have." And despite the rigorous controls, the contractor has the satisfaction of

knowing his report will be "surfaced" within the often disputatious intelligence community even if his conclusions are diametrically opposed to the sponsoring agency's point of view.

Not surprisingly, the corporations involved are not named. In the spy business, a contractor remains as invisible as a lone agent.

Cyanide on the sidelines?

Supersecrecy applies in spades to the gadgetry with which agents in the field are equipped. For reasons that are not clear, it is easier to learn technical details of a spy satellite than to find out whether Agent X in Hong Kong can talk via pocket radio and communications satellite direct to his superiors in Washington.

(It is just possible he can. One former intelligence official insists that field men have had "secure communications ever since the first communications satellite." At the same time, this source is skeptical that all the "very sophisticated" gadgetry "is producing an awful lot of intelligence.")

Another official, recently retired, says that most of the equipment used by agents can be classified as audio or visual—listening and seeing devices, rather than the crippling tranquilizer guns or cyanide-filled fountain pens of the spy films.

There are, for example, long-lensed cameras that can photograph documents through a distant window, and microphones that can "hear" conversations in a closed room by detecting the delicate vibrations of the window pane. "But," the recently retired official cautions, "you almost need laboratory conditions to do it."

Whatever the value of the smaller technological devices, they remain very much underground. The retired official says that in his agency, gadgetry work was done "by a group so secret I didn't even know where they sat."

Apparently, business plays a very small role in this area, in contrast to its work in major intelligence technology. The agencies obviously draw on the latest civilian progress, but seem to do their own development. And, since the quantities needed can't be very large, they may even do their own manufacturing.



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industrial environment.
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catching up.

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Beyond formal hardware and analysis contracts, intelligence agencies tap individual brainpower in industry and on university campuses. Some of the brains are those of occasional or frequent consultants, drawn from every major technical field. Other outside experts serve regularly on advisory panels that meet several times a year.

As antiwar, anti-Establishment and anti-technology sentiment grew stronger in the late Sixties, the cloak-and-dagger atmosphere intensified for some of the campus consultants. A physics professor advising on the use of night sensors in Viet Nam, for example, might prefer that his more dovish colleagues not know about it.

"X wants to see you"

A leading intelligence agency declares it has not lost a single consultant because of prevailing campus attitudes. But one official adds:

"Some of them are probably a little more careful than before. We comply with a consultant's wishes—no agency letterheads to his office. No phone calls, if he wishes. We can simply have our man in the area stop by and say, 'X wants to see you.'"

There is even room at the top for the businessman who wants to make an intelligence contribution—the job of White House adviser. Every modern President has, as quietly as possible, used trusted citizens for special counsel on the vast, costly and seemingly impenetrable world of the spy.

President Nixon had Dr. K. Wayne Smith, a former Rand Corp. economist now with Dart Industries, Inc., spend 18 months reviewing the field with economist James R. Schlesinger, now chairman of the Atomic Energy Commission.

And President Eisenhower, during his Administration, had the late William Webster, a New England utility executive, make periodic checkups on what the intelligence system had to report.

Mr. Webster was reluctant to undertake the task, a friend recalls, on grounds he had no expertise. But the President told Mr. Webster his credentials were native intelligence, unquestioned loyalty to the country and good rapport with Ike himself. He directed him to read all the reports, and

sift out what a President needed to know.

Work like this by outsiders, however, must be done with as little visibility as possible "or they tend to lose their effectiveness," an expert says. "All the special interests converge on them, the media gets after them. Congressmen may become upset because they can't get at these people. But the fact is that only one person is accountable—the President. If he louses up, you throw him out. And he needs this kind of advice."

Intrigued by intrigue?

Finally, there is even direct, full-time employment for the businessman.

In the eyes of at least one CIA veteran, now a corporate executive, more of this is badly needed.

In the turbulent Fifties, before technology so rudely pushed ahead of the secret agent, all the top executives at the fledgling CIA had come from other walks of life. The reason was simple: There was no coterie of seasoned career intelligence leaders. Amateurishness, to some, was a positive factor—despite what this veteran calls "lurid political miscarriages" including the disastrous Bay of Pigs invasion attempt in Cuba.

"They came from business, academe or government," the veteran says nostalgically. "It was a vast strength, a mix of men with varied careers. No one of them had the intelligence profession as his only life experience."

But the bureaucracy proliferated and the pattern rapidly became one of promoting from within.

"I was arguing then, and I would argue just as strongly today, that at least one third of the people in intelligence should be men for whom the agency was not their first employment," the former official says.

"There should be a conscious effort to have a significant number of people with other experiences and careers—a different and enriching understanding of society and its various points of view."

Interested in an intelligence position?

It might be well to take the initiative and apply by mail. Discreet intelligence agencies don't run help-wanted ads.

—EVERT CLARK

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WEEKLY EMPLOYEE BENEFITS COST BY INDUSTRY—1971

Those Whopping Extra Benefits for Employees

A fourth of what businesses shell out for those they employ is over and above pay for time on the job; and this cost is rising fast

Believe it or not, you're richer than you think.

That's true, with a vengeance, of the American workingman.

His pay for time worked is a misleading measure of his affluence. In fact, today it represents only about three fourths of what he actually receives.

Where's the other fourth?

It comes in the form of a long list of extra benefits, paid for by his employer. Once, these were called "fringe" benefits. But the fringe has grown so long that the term is now a misnomer.

This year, it's estimated, these extra benefits average more than \$50 a week for each employee.

All told, employers will pay an estimated \$180 billion in 1972 for sick leave, vacations, insurance and other amenities that American workers enjoy.

The employers' bill for benefits is growing much faster than the cost of

wages and salaries. In 1971, extra benefits were 103 per cent higher than they were 10 years earlier. Wages and salaries rose 64 per cent in the same period.

Employers spent an average of \$48.92 per employee per week for fringe benefits last year compared with \$24.12 in 1961.

The size of these benefits is analyzed in a new study of 885 manufacturing and nonmanufacturing firms conducted by the Chamber of Commerce of the United States. This is the 13th biennial study by the Chamber, which has traced the growth of these employee benefits since 1947.

Benefit expenses, the survey shows, varied widely from company to com-

pany, and from industry to industry, in 1971.

Five firms reported their benefits cost them less than \$15 per week, while 14 firms reported costs of over \$85 per week.

Petroleum industry benefits averaged \$66.21 weekly, public utilities paid \$58.42 and the chemical industry paid \$58.23.

Among lower paying industries were wholesale and retail trade (other than department stores), \$35.44 weekly; textile products and apparel, \$28.87; and department stores, \$25.90.

The two principal types of benefits were:

1. Wages paid for time not worked,

	Per Employee Per Week
ALL INDUSTRIES.....	\$48.92
MANUFACTURERS:	
Petroleum industry.....	66.21
Chemicals and allied products.....	58.23
Transportation equipment.....	55.37
Primary metal industries.....	53.10
Food, beverages and tobacco.....	51.31
Machinery (excluding electrical).....	48.19
Stone, clay and glass products.....	47.46
Instruments and miscellaneous products.....	46.71
Electrical machinery, equipment and supplies...	46.67
Fabricated metal products (excluding machinery and transportation equipment).....	45.14
Rubber, leather and plastic products.....	44.04
Printing and publishing.....	43.69
Pulp, paper, lumber and furniture.....	42.87
Textile products and apparel.....	28.87
NONMANUFACTURING:	
Public utilities.....	58.42
Banks, finance and trust companies.....	52.08
Insurance companies.....	48.33
Miscellaneous industries (mining, transportation, research, warehousing, etc.).....	45.83
Wholesale and retail (not department stores)....	35.44
Department stores.....	25.90

Have

WEEKLY EXTRA BENEFIT COSTS, PER EMPLOYEE

including vacations, holidays, sick leave and rest periods—averaging \$19.90 per employee per week.

2. Nonwage payments for pensions, insurance premiums, Social Security taxes, unemployment compensation taxes, workmen's compensation, profit-sharing payments and similar benefits—averaging \$29.02 per employee per week.

Private pensions were the most expensive employee benefit, averaging \$7.73 per week. Public utilities' pension payments were highest, averaging \$14.08, followed by the petroleum industry's \$13.27.

Lowest pension payments were made by textile and apparel firms, averaging \$2.83 per week, and department stores, \$1.88.

Paid vacations, the next costliest benefit, averaged \$7.69 per week. Vacations averaged 12 days per year for all industries, but ranged from 18 days in the petroleum industry to eight days for department stores.

Employer taxes for Old Age, Survivors, Disability and Health Insurance, "Social Security," averaged \$7.15 per employee per week. This does not include an equal amount withheld from the employee's wages.

OASDHI taxes have skyrocketed. In 10 years, they rose 177 per cent.

In 1971, the maximum tax was \$405.60 per employee; this year it's \$468, up 15 per cent in 1972 alone.

And under a bill passed by Congress in June, the maximum will increase to \$594 next year and \$660 in 1974.

Employer payments for private (nongovernment) life, accident, hospitalization, sickness and major medical insurance averaged \$7.10 per week per employee in 1971. These costs rose 171 per cent in 10 years, compared with the 103 per cent increase in all employee benefits.

Paid coffee breaks, rest periods, wash-up time and other on-the-job time paid for but not worked cost employers an average \$5.38 per week per employee last year. This time averaged an hour and 20 minutes a

	1971	1961	Per Cent Change
Private pensions (nongovernment) ..	\$ 7.73	\$ 4.06	+ 90
Paid vacations	7.69	4.06	+ 89
Old Age, Survivors, Disability and Health Insurance taxes	7.15	2.58	+177
Insurance (life, sickness, accident, hospitalization, etc.)	7.10	2.62	+171
Paid rest periods, lunch periods, wash-up time, etc.	5.38	2.52	+113
Paid holidays	4.69	2.42	+ 94
Profit-sharing payments	1.65	0.77	+114
Workmen's compensation	1.58	0.77	+105
Paid sick leave	1.56	0.67	+133
Unemployment compensation taxes ..	1.15	1.46	- 21
Employee meals furnished free	0.25	0.15	+ 67
Discounts on goods and services purchased from company by employees	0.23	0.12	+ 92
Other employee benefits	2.76	1.92	+ 44
TOTAL EMPLOYEE BENEFITS ...	\$ 48.92	\$24.12	+103
AVERAGE WEEKLY EARNINGS ...	\$158.85	\$96.85	+ 64

week, up from one hour a week a decade earlier. Paid holidays averaged 7.5 per year, and cost employers \$4.69 per week per employee.

The transportation equipment industry averaged nine paid holidays per year, and department stores, five.

Other employee benefits included: Profit-sharing payments, \$1.65 per employee per week; workmen's compensation, \$1.58 per week; paid sick leave, \$1.56 per week; unemployment compensation taxes, \$1.15 per week; employee meals furnished free by employer, 25 cents per week; and discounts on goods and services purchased from company by employees, 23 cents per week.

Several of these benefits were re-

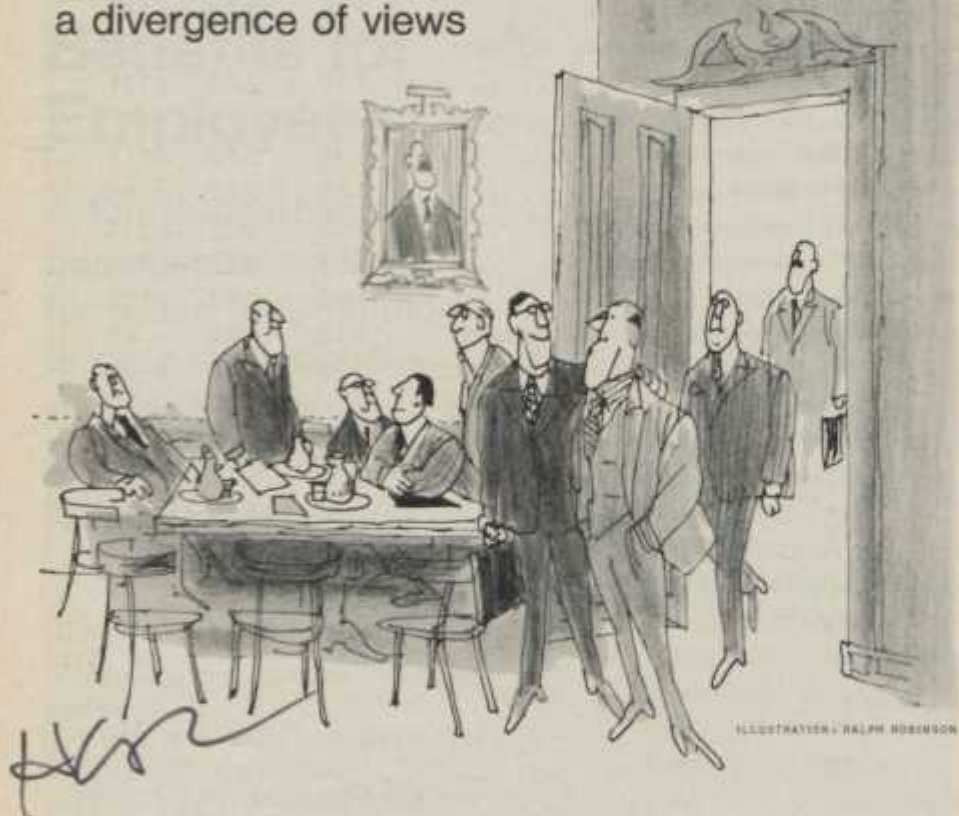
ported by only a small proportion of employers, so costs were substantially higher than the above amounts for some companies giving such extras.

FRED D. LINDSEY

"Employee Benefits (Fringe Benefits) 1971," a 32-page report, may be purchased from the Chamber of Commerce of the United States, Washington, D.C. 20006, for \$2 a copy. Reprints of this article may be obtained from Nation's Business, 1615 H St. N.W., Washington, D.C. 20006. Price: One to 49 copies, 35 cents each; 50 to 99, 30 cents each; 100 to 999, 17 cents each; 1,000 or more, 14 cents each. Please enclose remittance with order.

Picking the Best for the Board

In which direction should a company head when it looks for directors? Inside its own ranks? Outside? A survey of executives shows a divergence of views



What's better for a company—a board of directors composed mostly of members from outside or inside company ranks?

A NATION'S BUSINESS survey of executives shows no consensus on this question.

"I feel that outside directors give us valuable guidance not influenced by everyday activities of our company," says John C. Suerth, chairman of Gerber Products Co., Fremont, Mich.

Says Werner C. Brown, president of Hercules, Inc., the chemical company based in Wilmington, Del.:

"Directors should come primarily from within the company to take advantage of the continuity of internal experience, with some outside mem-

bers to provide unbiased perspective."

Comments A.S. Yohalem, senior vice president of CPC International Inc., Englewood Cliffs, N.J.: "We think a balance between inside and outside directors is suitable, workable and appropriate. This is the way the CPC board is now constituted."

The insider-outsider question has for some time been the subject of lively debate in the business world, along with other questions about the true role of a board in a company's affairs.

Harvard Business School Prof. Myles L. Mace, after a two-and-a-half-year study, concluded that although establishing objectives and selecting top officers are often

thought to be part of a board's duties, they usually aren't.

In most companies, he found, the board serves as a source of advice, provides "discipline value" for management by requiring it to explain what it has been doing, or acts in a crisis situation when the president dies, is incapacitated or has been performing so poorly that the board feels he should be asked to resign.

Where outsiders are "in"

Those favoring outsiders for board seats point to the wealth of experience and expertise they can bring to bear on a company's affairs.

"They should be individuals deep in knowledge and experience so that they can effectively discharge their responsibilities of evaluating management, and reviewing and approving basic company policy and direction," says Richard H. King, vice president-finance, International Multifoods, a diversified food firm based in Minneapolis, Minn.

"Our company strongly favors outside directors—not including bankers and lawyers," comments John S. Randall, president of Kearney & Trecker Corp., a machine tool firm in Milwaukee, Wisc. "Companies aren't strengthened by talking to themselves."

"Directors should come primarily from outside the company to give greater objectivity to policy decisions," says William J. Steinmetz, vice president and treasurer of American Can Co., Greenwich, Conn.

Banks, particularly, want to avoid inbred boards. "Outside directors are essential and mandatory for banks," says J.A. Elkins Jr., chairman of First City National Bank, Houston, Texas. "They provide a much needed objectivity and third dimension to policy and decision making."

Another view comes from John C. Emery Jr., president of Emery Air Freight Corp., Wilton, Conn.: "Insiders on the board involves a form of corporate democracy that doesn't work, except on board meeting days."

Outside directorships also are valuable for stockholder representation, according to many who favor them.

The trend toward outside boards got a big boost in the late 1940s, according to the Conference Board, a

business research organization. By the mid-1960s, 63 per cent of 456 manufacturing firms it surveyed had boards in which outsiders predominated. A more recent survey by McKinsey & Co., management consultants, showed a ratio of around three to one.

With the advent of the conglomerate trend of the 1960s, inside boards experienced a small renaissance. Part of the reason apparently was that conglomerates put officers of acquired companies on their boards, displacing outsiders.

In addition, many a conglomerate's wide-ranging activities made it difficult to find outsiders who were free from interlocking directorships and possible conflicts of interest.

Intimacy on the inside

The major reason for having a board dominated by company personnel appears to be simply the claim that it can run the business better than a board dominated by outsiders.

Echoing again and again in comments of businessmen who favor inside boards is the contention that their business is not easily understood by outsiders, or that intimate day-to-day contact is needed for a director to be valuable.

"In our business [forest-product trade journals] first-hand knowledge of the business and industry it serves is of high importance," says Robert E. Smith, president of Crow Publications, Portland, Oregon.

One point many businessmen responding to the survey make is that small, closely held companies are probably best off with insiders, while large, publicly held firms should seek outsiders for their boards.

However, giant Dow Chemical Co., for instance, has only one or two outside directors on its board. A Dow spokesman says: "The policy has been over the years that by and large, an outside board isn't intimate enough with the problems of the company to do an adequate job."

There are also those who simply doubt outside directors pull their weight. "They can add very little," remarks an official of a New York City machinery firm. "Largely irrelevant," says the president of a Chicago market research firm. "I don't

see how outside directors can have in mind the best interests of the company they are supposed to direct," cautions a West Coast chemical company executive.

In some instances, the difficulty of landing good, outside talent for the board seems to turn some companies to look within.

O.L. Hill, president of Clark Oil & Refining Co., Milwaukee, Wisc., thinks "directors are being subjected to increased personal liability expenses. Therefore, it will be difficult to attract outside directors."

Target: A perfect blend

Many companies, of course, try for a blending of inside and outside directorships.

"We feel that a board should have a mixture of both inside and outside directors, and that the exact proportions of insiders and outsiders will vary with the needs of the company at a given point in time," comments Harold I. Lunde, vice president of planning and research for May Department Stores Co., St. Louis, Mo.

Daniel P. Bryant, chairman of The Bekins Co., Los Angeles, Calif., says: "A majority of directors should be from outside the company—but a bare majority."

Eastman Kodak Co. has a board consisting of 10 Kodak employees and six directors not associated with the company. A spokesman explains:

"All members of the board who are Kodak employees are men who have risen through company ranks and gained extensive knowledge of company operations through years of experience. Our philosophy on having an inside-outside board is to blend the experience and insight of career men with the complimentary talents and outside awareness of achievers from the fields of business, finance, education and government."

"A combination of inside and outside is still the best," says Andrew McNally III, president of Rand McNally & Co., Skokie, Ill.

"Half in, half out," sums up G.W. Bailey, chairman and president of the New York City-based Keene Corp. "The important thing is the dedication and willingness to spend time on the company." END

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The "Cure" Can Be Worse Than the Pollution

Environmental cleanups can actually create more dirt—as well as fantastic expense—when they're carried to unrealistic lengths; witness the case of the paper mill dust

"There's no free lunch."

That's a saying of the financial community that Americans should take to heart.

It applies very directly to the public's demand for cleaner air, purer water and a better environment generally.

The demand can be met.

But it will cost plenty to do so. And in the long run, it's the public that will pay.

In its second report to Congress, the White House Council on Environmental Quality estimated that industry and government must spend \$105 billion between 1971 and 1976 to control air and water pollution and to treat sewage and solid wastes adequately.

This is about \$525 for every man, woman and child in the United States.

Let us use the paper industry to illustrate some points. Our industry alone will spend staggering sums to eliminate water and air pollution.

DR. HERMAN R. AMBERG, author of this article, is director of environmental services, Crown Zellerbach Corp.

In 1968, the starting point for large-scale investments, the industry spent \$49 million on water pollution control facilities. In 1971, we spent at an annual rate of about \$146 million. By 1974, we will be spending almost \$500 million yearly.

Our total capital investment from 1968 to 1975 will be about \$1.8 billion and direct operating costs will exceed \$100 million per year.

What the industry will spend to reduce atmospheric emissions is also sizable. Expenditures will total about \$900 million by 1975 and the annual rate of capital investment will approach \$300 million.

Thus, the paper industry is faced with a capital investment through 1975 of roughly \$2.7 billion to control air and water pollution—or about \$1 out of every \$5 it spends for new plant and equipment.

Prices up, but not payrolls

What will that do to the price of paper? Raise it by \$9 to \$10 a ton.

Normally, huge outlays like this would create many more jobs.

But investment in antipollution equipment creates little employment, once the devices have been made and installed.

Our company estimates that a capital investment of \$100 million for air and water pollution control equipment will create only about 25 new jobs. If the money were spent on production facilities, it would produce more than 2,500.

At this point, it would be well to remember that fundamental scientific law: Energy can neither be created nor destroyed. In the laboratory, we have long known that for every problem we solve, we create a new one. Hopefully, the new problem is not as great as the one solved.

Yet, this simple concept has often been overlooked by regulatory agencies and legislators who react to an environmental issue without considering overall impact.

The systems approach, which has been so successful in the space program, is completely ignored. In the emotional frenzy to solve all problems at once, no attempt has been made to look at the ecosystem.

For example, power production is an important source of pollution. Yet

our need for power is rapidly reaching the critical point.

Why?

Partly because the very methods used to reduce or eliminate air and water pollution require large amounts of electrical energy.

Forced out of business?

Let me give an example. We have a small mill in Ohio which produces paperboard and corrugated cardboard from wastepaper. It's a 100 per cent recycling operation.

Coal is used to produce the power for the paper machines and other operations. Now, however, the power boilers can't meet the new state requirements for particulate emissions, which are uniform throughout most of Ohio and bear little relationship to the actual ambient air quality locally. We have looked at several ways to solve the problem. They carry a price tag that runs from \$3 to \$10 per ton of paperboard produced.

The method that would cost \$10 per ton would clearly put the mill out of operation. However, even the least expensive approach is enough to impose a sizable economic load.

Here we have an operation which performs a very valuable public service by using up some 200 tons of wastepaper per day. Yet, it may ultimately be forced out of business because of large expenditures required to correct a nonexistent air pollution problem.

Let me give some other examples of how a single-minded—or narrow-minded—approach raises more problems than it solves.

Dust control equipment at our pulp and paper mills uses rather large amounts of power. Naturally, the more dust you take out, the more power you use.

Among the most efficient units used are electrostatic precipitators. These units will remove 85 per cent of the dust or more—some of the newer units now being installed will remove up to 99.8 per cent. Federal and state regulators are shooting for removing more than 99.5 per cent.

In some cases that high a standard may be needed. But in many instances, it isn't. In fact, the overall effect will be to make the air dirtier—not cleaner. Let me explain why.

If we are content with eliminating 93 to 95 per cent of the dust, entirely adequate at many locations, we will need 300 kilowatt hours of electricity for every ton of dust recovered within that range.

But if we insist on removing 97 to 99 per cent of it, we need four times as much power—or 1375 kilowatt hours per ton.

Jack our target up to 99 to 99.8 per cent and we need seven times as much power—or 2100 kilowatt hours per ton of dust removed.

Here's what it means in terms of dollars and cents.

Removing 95 to 98 per cent of the dust from the smokestacks would cost about \$50 per ton.

But removing 99.5 per cent of it would cost \$495 a ton—and gain only those last few percentage points.

In many instances the additional 1 to 2 per cent increase is not needed. And if we insist on the increases, the net result in many cases will be adverse because of the additional power we will need—and the side effect the power production will have on the environment.

We face a somewhat similar situation in the campaign to clean up our rivers and streams.

It is sometimes forgotten that streams can assimilate some organic wastes. Streams purify themselves.

In fact, some nutrient wastes may actually have a beneficial effect on the development of commercially desirable fish.

How much organic material a stream can assimilate without harm depends on stream flow, temperature, velocity and many other factors. The most important factor, however, is the flow or size of the stream or river.

A hale Columbia

Insisting on uniform standards—which call for the highest and best practical treatment everywhere on all rivers and streams—is wasteful. In some cases it may actually have an adverse secondary effect upon the environment.

The lower Columbia River in the state of Washington is an excellent example: It has six large pulp and paper mills which presently discharge effluents receiving primary treatment. Present water quality standards for

the lower Columbia, probably the most stringent in the country, are being met because of the great assimilative capacity of the river.

Organic material from these mills is decomposed by microorganisms as it moves downstream.

So, we are essentially accomplishing naturally what would cost about \$17 to \$20 million to accomplish by secondary waste treatment.

The mills, however, are being asked to provide secondary treatment within the next four years.

This large investment will not significantly improve water quality on the lower Columbia River. On the other hand, since the secondary treatment facilities will use lots of electric power, the overall impact on the environment will be negative.

To remove 80 per cent of the biodegradable organic material at the six mills will require about 15,000 kilowatts of electric power. If you take into consideration thermal pollution and gaseous emissions from the power plant, the net effect on the environment is minus—not plus.

To each its own

These examples are just a few of many which could be cited to show there are no simple solutions to complicated environmental problems.

Each situation must be carefully evaluated on its own.

Regulations must be based on extensive studies of the air and watersheds of each region. This requires a considerable amount of sophistication. But the sophisticated technology is available through the computer and through systems engineers who labored so successfully on our space program.

Our environmental problems are at least as complex as the problems we faced in putting man on the moon. They merit an approach no less sophisticated.

An oversimplified solution—inflexible standards, effluent taxes and universal application of the most costly treatment programs—overlooks the subtleties of our problem.

If we rely on that approach, the public will find we have squandered billions—and wound up with greater problems than those we set out to solve.

END

Won't you buy him \$80 worth of food for \$10?

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The NAACP Emergency Relief Fund is aiding the neediest of these families through the federally sponsored Food Stamp Program. Under this program, \$10 can buy an average of over \$80 worth of urgently needed meat, milk, and bread for the hungry. \$25—an amount you might normally spend to take your family out for one dinner—can feed a large family for a month! As one donor recently wrote—"where else can my modest donation do so much!"

Please help us in this effort by sending as little or as much as you can to the NAACP Emergency Relief Fund. Contributions are tax-deductible.

Thank you.



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This Month's Guest Economist

Dr. Carl H. Madden
Chief Economist
Chamber of Commerce of the United States

A New Industrial Strategy

A strong case can be made that the United States needs a new industrial strategy for the future.

Such a shift seems likely to have profound effects on the makeup of American business. And while the shape of the strategy is not fully clear, the time is ripe for public consideration of its nature and implications.

Taking the historic long view, the Bretton Woods Conference era—which established the International Monetary Fund—is dead. But it provided an astonishing outburst of creative human energy. During this period, the U.S. not only poured out more than \$125 billion in foreign aid, but became the world's largest exporter of capital, with \$105 billion now invested abroad.

At the same time, estimated foreign sales for U.S.-based multinational corporations rose to more than \$200 billion annually. The French journalist Jacques Servan-Schreiber, in "The American Challenge," documented the spread of American management, marketing, financing and production techniques throughout Europe and the rest of the world in the postwar period.

During this period, the European Economic Community grew steadfastly, promising the accomplishment in one peaceful generation of what centuries of war had failed to achieve. Japan and West Germany rose from the ashes of defeat to rank second in world output only to the United States and the Soviet Union.

As of Aug. 15, 1971, date of the Nixon price-wage freeze, this era of American scientific and technological

supremacy came to an end. We face more intensive competition abroad at a time when we can no longer carry the major burdens of world order and development.

The truth is that we have fairly well exhausted the value—great as it has been—of policies designed more than a quarter-century ago. The Nixon freeze marked recognition that this country is losing two great historic comparative advantages it was given by its huge, domestic free trade market and its systematic application of technology to industry.

Others have gained what we alone once had—not against our opposition, but at our urging.

However, this is not bad news, unless we let it be bad.

We take for granted our subcontinental free trade area, but it is a paramount source of cost savings because management can spread overhead expenses in mass production industries over a large number of units of output.

Also, we tend to take for granted the value of systematically applying science and technology to industry.

Yet, our Nineteenth Century policy towards education was the marvel of the world. In one stroke, the Morrill Act of 1862 established through land grants a nationwide system of "polytechnic" universities to transfer the insights of science to the useful arts. The idea was invented by Michigan farmer-businessmen.

The Morrill Act, like the Northwest Ordinance in 1784—which provided for the economic and political assimilation of the new Western territories—

was a brilliant act of industrial strategy. The philosopher-physicist Alfred North Whitehead once pointed out that "the greatest invention of the Nineteenth Century was the invention of the method of invention."

Britain, with its aristocratic educational system, failed to grasp Mr. Whitehead's insight. Despite fathering the Industrial Revolution, Britain fell behind Germany and the United States in industrial development.

Of such stuff are industrial strategies made. Now Europe promises to match our free trade area. And Japan promises not only to match, but maybe to outdo our strategy of systematically applying science and technology to industry.

Japan has paid us the greatest of compliments, but the Japanese now seem to recognize that they can no longer afford to imitate us because we are so confused about our goals.

Seeing the information revolution through which we are living, Japan is seriously considering a shift away from basic industries of this century to the new ones of the next century.

Meanwhile, the deepest insights of ecology warn us that industrial countries throughout the world must more carefully conserve material resources, and shift their capital to knowledge-based industries which promise rapid growth in the future.

The two great comparative advantages of the United States today in foreign trade are high technology capital goods and agricultural products.

If we are to take advantage of these pursuits can we avoid a new industrial strategy?

Some argue that to stimulate research and development in new knowledge-based industries is to "subsidize" industry. A look backward at Nineteenth Century land grants, spurs to inland waterways, incentives to railroads and—above all—financing of technical education throws new light on what many claim was an era of "laissez-faire."

The issue is not that between some industrial strategy and none, since doing nothing is itself a strategy. The issue is whether we can match our forefathers in prescience to design an industrial strategy fit for the Twenty-first Century.



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"Originally," Mr. McConnell says, "we used our own capital. But as we built up a good track record, we were able to establish close ties with commercial banks."

Avoiding the quick buck

Here are some investment tips gleaned from the firm's own experience:

- Look for firms that have good long-term prospects, but lack capital.

"We purposely avoided the temptation to go for the quick buck," Mr. McConnell says. "We looked for businesses that had good management, but needed an injection of fresh money to get rolling."

"For example, we acquired a citrus grove in Florida, one of the largest in the state. It was a little run-down and needed rejuvenating. We supplied the improvements, and now it's solidly in the black."

- Before you invest, investigate.

"At first," Mr. McConnell says, "we found that we were wasting a lot of time with pitchmen. We learned quickly that digging deep for facts was a prerequisite. We do a lot of research before we invest."

"As a result, our batting record is high. Nearly 95 per cent of our investments have been profitable—with only two minor losses during the past 12 years."

- Get equity, in return for your cash.

"If you've picked a good business, and that's the only kind you want, you should be willing to have a personal stake in its fortunes. In addition, of course, equity gives you more leverage than merely making a loan. If the company does well, you do, too."

- Get good management—and back it.

"First, we look at the quality of the management that's already in the firm."

"If it's bush league, we're not interested. Unless, of course, we know where we can get someone who will do a bang-up job of running it."

"Then, keep tab on results, but leave management alone."

Mr. McConnell sums up: "I guess we follow that advice given long ago by J. P. Morgan—'Don't sell America short.'"

END

David H. McConnell is putting it all together.

The Colony Hotel, that grande dame of the hostelrys that made Palm Beach the blueblood's playground, is having a busy year.

Beef prices are firm and strong, and steers are growing sleek and fat in Colorado and Texas.

And even the New England Patriots, last season's pussycats, are showing signs of turning into panthers next season—and mauling the opposition.

Meanwhile, cash registers jingle and turnstiles twirl.

The hotel, the critters and the gridders are just some of the diversified investments the canny ex-Marine has helped collect under the umbrella of McConnell, Wetenhall & Co., Inc., a private New York banking firm. In a dozen years' time, its net worth has grown many times over—to an estimated \$25 million.

Mr. McConnell is president and treasurer and Robert C. Wetenhall is board chairman.

What to do with his funds

The firm's success is almost a textbook example of how to put idle money to work.

That was ex-Leatherneck McCon-

nell's problem, when he returned from the wars: what to do with his money.

Certainly, if he chose, he had earned the right to simply sit back and enjoy it.

At the age of 17, he had left fashionable Choate School and enlisted in the Marine Corps. That was in 1943.

Before World War II was over, he was wounded twice and hit the beach a half-dozen times, on major invasions, with the Sixth Marine Division.

After the war, he finished his schooling and began a business career.

Then, in 1950, that career was interrupted when he was called to active duty because of the Korean War.

Later, back in his native New York City, he wondered: "Where do I go from here?"

"I felt," he says, "that I should use whatever talents and resources I had not only for my own good, but as an investment in my country's growth."

Spelled out in practical terms, this translated into two chief types of enterprises:

- Businesses with roots in the soil.
- Leisure industries.

RANDUSTRIAL[®] MAINTENANCE PRODUCTS

will solve problems in your plant today

FREE 2-Gallon SAMPLES offered on most products



Use RANDUSTRIAL[®] ROOF SPRAY EQUIPMENT FREE. Randustrial[®] Roofing Engineers provide jobsite instruction so your own maintenance men can waterproof weatherworn roofs permanently. The Randustrial[®] Plastic Sealant forms a seamless, elastic shield that stops leaks and restores pliability to old roof felt.



MAGIC FLOOR[®] will patch concrete indoors and out-of-doors. No drying time required. Contains a shatterproof aggregate system for durability and perfect featheredges. Simply fill hole with the ready-to-use material and compress with a lift truck. FREE 2-Gallon SAMPLE, freight prepaid.*



For fixtures that require fastening to floors—railings, conveyors, even heavy machinery—BOLT ANCHOR[®] SULFASET sets quickly and permanently without shrinkage. No heating; mix with water and pour. Contains Albatite for strength; resists water, oil, and chemicals. FREE 1-Gallon SAMPLE, freight prepaid.*



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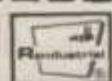
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(area code) (number)

*Offer NOT valid for home use.

"Dear Governor Gilligan: This is the nicest thing that has happened to us in a long time..."



The letter came from J. P. Riblet, head of Galion Welding School. His school now was enlarging its facilities, he said, adding more teachers, enrolling new students.

Why did Mr. Riblet write to tell the Governor? Because Ohio's new Businessman's Ombudsman made it all happen.

For some time the central Ohio trade school had been seeking Veterans Administration approval under GI Bill provisions. With 44 years' experience and a skilled staff, the school seemed to qualify — but approval was stalled somewhere along the line.

Ohio's Ombudsman was able to clear the line. Mr. Riblet's school was prepared for registration from all over the United States. And he felt moved to express appreciation for Ohio's unusual



service to a small business enterprise.

Small and medium-sized businesses get special help in Ohio. We know that 95% of all Ohio companies employ 50 or fewer workers. And that 80% of business growth comes from resident firms.

That's why we created the Businessman's Ombudsman, to assist the multitude of small businesses so vital to Ohio's future.

If you run a small business in Ohio, and you think you could get bigger, write Businessman's Ombudsman and get our attractive brochure.

It will tell you how Ohio can help you get growing.

For information, write:
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Box 1001, Columbus, Ohio 43216.
Or phone toll free:
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In Ohio, 1-800-282-1085.
In Columbus, 469-4689.



a nice place to raise a business

John J. Gilligan, Governor
Dr. David C. Sweet, Director,
Ohio Department of Development.

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**And all the king's
horses and all
the king's men
couldn't put Susie
together again.**

The emotional wound cuts deep and heals slowly. The scars can last a lifetime.

Susie is hurt and confused, but mostly she's afraid. Afraid her parents will stop loving her the way they stopped loving each other. Afraid somehow she's to blame for the whole mess. Afraid of tomorrow.

As long as there are marriages there'll be divorces. We can't save them all. But with your help, we can save a handful.

There are people in trouble all over this town.

Poor people, sick people, old people, disturbed people need your help and need it fast.

Give the United Way. Please.

**If you don't do it,
it won't get done.**

Do You Get Your Message Across?

Here are some tips on how to make sure that your audience is hearing what you want it to hear

A broom salesman faces a buyer and wonders: "How can I convince her my product is the best on the market?"

A vice president at the conference table with a planning group for his company ponders: "How can I sell them on product diversification?"

A president about to address a stockholders' meeting muses: "How can I win their confidence in the corporation's management?"

Business, in essence, is salesmanship. Your personal success as an executive and your company's success in the marketplace depend largely on your ability to get your message across convincingly and effectively.

How well do you succeed in achieving this objective?

How much of a wallop do you pack in your sales punch?

When you make a point, is it quickly and clearly understood? Do your communications stem from a clear-cut plan of action, an imaginative approach?

If not, what positive steps can you take to articulate your thoughts more effectively?

Drawing a bead

Whatever your business, you will almost invariably improve your communications—whether with one man, a small group or a massive audience—by following these guidelines:

1. Pinpoint the purpose behind your message.

You walk up to a lectern. You sit down in a conference room. You lean across the table in a buying office. You think you put your message across.

But time and again, if you are an average communicator, you overlook the main purpose behind the message.

MICHAEL ST. JOHN, author of this article, is president of Michael John Associates, Inc., New York, N.Y., group communications experts.

flaw

DRAWING: CHARLES A. DUNE



Dramatize situation but —

Unless you have a clear idea of what you want to happen after your message is hammered across, it will be difficult to zero in accurately and effectively on your target.

2. Identify your audience.

Before identifying with people in your audience, you must identify them.

Whom are you addressing and whom do you wish to address? Seasoned executives? Salesmen? Distribution dealers? College students? Property owners? Young mothers?

Is the audience you're planning to reach the one you really need to reach to achieve the objective you spelled out?

Proper audience identification is essential in designing an effective message, and insuring maximum acceptance for your idea.

3. Satisfy the self-interest of your audience.

Consciously articulated or not, the universal motivator to action and attention is the question: "What's in it for me?"

Why should an office employee be enthusiastic and cooperative about an automation program he feels may threaten his security and force him to tackle frightening new techniques?

No reason at all unless he is sold on the innovation from a "what's-in-it-for-me?" point of view.

What is in it for him? Will it give him an opportunity to learn new skills, so that his value to the company and his income will increase? If so, tell him so.

When a major airline installed a giant computer to aid in reservations, scheduling and meal-planning, it produced a short film that depicted the millions of dollars and man-hours spent to develop the computers for Alan Shepard's space flight. Then an airline official explained the computer wasn't going to eliminate jobs but was going to help the staff run a better airline.

4. Unify your audience.

Har



— don't overdo it.



Tell him what's in it for him.

"Too many meetings open at 10 sharp," a wit once said, "and close at 12 dull."

Meetings often lose their personal touch and character. To combat indifference, unify your audience. Address the group as one individual.

Find, if you can, a single common denominator of interest and identification. The object is to get each person to react in the same way to your message. Thus the desirable response of one will have a contagious, multiplying effect on the entire audience.

5. Peg the emotional pull.

The goal in one company was to sell a cost reduction program to supervisors and rank-and-filers. That's no simple matter. Thus the selling effort preceding this program focused on two prime emotions: The fear of insecurity and the need for recognition.

For the company to stay competitive, profitable and in business, the price line had to be held. Jobs were at stake. Careers were at stake. Security was at stake.

Employee needs and desires for status and recognition were played up in plant communications. An imaginative program of rewards was introduced, with cost-cutting contributions paying off in individual and departmental recognition from the firm's president.

6. Galvanize your message.

Inject drama and excitement into it. Metropolitan Life Insurance Co. did it for the company's centennial meeting. The product for sale was the company's plans and aspirations for the future.

In a specially equipped auditorium, the audience was taken on a simulated flight into space. People fastened their "gravity belts," and took off amid roaring rocket engines and eerie sounds.

A bit of imagination transported 3,000 people to new vistas of adventure and excitement. Within minutes they were in a living room in the Twenty-first Century. The audience was stirred and stimulated. They couldn't wait to see what would happen next.

What happened next was the company message. And 3,000 people were ready for it.

7. Don't get carried away.

Environmental creations, theatrical devices and visual effects can be extremely useful in whipping up interest and setting a mood.

However, don't lose sight of the basic aim behind your communications: You want to sell a product or an idea, not the show.

The secret is to wed theatrics to the selling objective with infinite care and infinite good taste. Excessive gimmickry and razzle-dazzle may divert your audience on the one hand, and distort the mood on the other.

There are many instances where the so-called extravaganza can be dispensed with altogether because a well-done speech, a good brochure, a hard-hitting seminar or slide presentation will get across the same message and achieve the same selling aim for a fraction of the cost.

Zero in on your target

Careful planning is the key to not going overboard. Thoughtful consideration of your communications objective and action goal will usually reveal a tendency towards overbudgeting or overdependence on gimmickry before it gets out of hand.

The best way to prevent spending too much money is by spending a little thought. The care you take in telling your company's story will mean success for you in this contest of salesmanship.

END

REPRINTS of "Do You Get Your Message Across?" may be obtained from *Nation's Business*, 1615 H St. N.W., Washington, D.C. 20006. Price: One to 49 copies, 35 cents each; 50 to 99, 30 cents each; 100 to 999, 17 cents each; 1,000 or more, 14 cents each. Please enclose remittance with order.

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BUSINESS

A LOOK AHEAD

BY GROVER HEIMAN
Associate Editor

MANUFACTURING

Due in no small part to emphasis on product safety, many exotic devices whose development was spurred by the Viet Nam War are having wider application in testing of products.

Manufacturers have been making more use of microwave, infrared, ultrasonic and fluoroscopic testing devices.

Infrared accounts for the largest percentage in this \$120 million annual market for instrumentation.

Checking of tires on test tracks is one example of the use of infrared. It is done

with a portable fast-scanning television camera developed by Dynarad, Inc.

Weighing nine pounds, the infrared camera scans an object a tiny spot at a time. The results are displayed on a TV screen, permitting observation of heat transfer as it happens.

One use envisioned for infrared cameras is as a replacement for thermocouples in some testing. Millions of these devices are now used in industry to measure heat intensity. The infrared camera can show 600,000 temperature measurements per second on the television screen.

NATURAL RESOURCES

Modified soaps that perform as well as phosphate and carbonate laundry detergents may someday lower the hackles of environmentalists.

A number of manufacturers are testing a formulation offered by the Agriculture Department's Agricultural Research Service which contains 65 per cent soap, plus a lime soap-dispersing agent and nonphosphate chemicals to aid in detergency.

ARS-run tests have indicated that the modified soaps are low in alkalinity, rapidly biodegradable, and work as well in hard water and low temperatures as today's detergents

do. However, even if the tests prove the soaps' feasibility, it probably would be years before they would become a significant market factor. Testing to check human safety aspects would be lengthy.

Aside from that, there is the major problem of production facilities. With the growth in use of detergents, many laundry soap plants closed years ago.

Agriculture Department expert Dr. Warner M. Linfield believes modified soap production "could grow, but very slowly." An annual production increase of 5 per cent would provide an orderly transition, he concludes.

TRANSPORTATION

It's going to be a long haul before it arrives, but on the horizon is a short-haul air transportation system that will be a boon for passengers who make flights of less than 500 miles.

They will benefit in convenience and, sometimes, in dramatically reduced trip time.

A Boeing Co. study reportedly had a big impact on Transportation Secretary John A. Volpe, who recently told the Federal Aviation Administration to develop a program to establish a "quiet short haul system" using airport facilities, many close to urban areas, that have been replaced by super-airports miles from downtown.

Already under development are short take-

off and landing airliners, to be powered by "quiet" jet engines, that could use these landing facilities.

First task for the FAA will be to designate certain secondary airports as part of the system and to fund the planning needed to make sure the landing spots will serve equally the interests of the community, general aviation and the airlines.

Upstream is use of Airport Development Air Program funds to bring the facilities up to airline standards, which include traffic control systems.

Secretary Volpe says the short haul system promises "attractive economies" by reducing congestion at major terminals.

AGRICULTURE

Tiny delayed-action pills that can be sprayed are one of the latest concoctions of pesticide makers in their effort to satisfy both the farmer and the ecologist.

Pennwalt Corp., with the approval of the Environmental Protection Agency, is conducting large-scale field tests on boll weevils of methyl parathion insecticide contained in plastic capsules. The capsules have an average diameter of one thousandth of an inch.

Slow, controlled release of the pesticide

by seepage through the thin capsule walls allows low dosages to be used, minimizing ecological risk. The capsules become safely inactive after three weeks, a feature that should muffle the strong outcries of environmentalists.

For the farmer, the pills are said to give an adequate treatment that retains 80 per cent to 100 per cent effectiveness for a week. Conventional liquid applications lose their punch after several days.

CONSTRUCTION

Relief is on the way for the businessman who must twist himself into a corkscrew shape taking notes or shuffling papers while making calls from phone booths in noisy locations.

A new booth developed by Bell Telephone Laboratories will feature "hands-free" operation and be much more soundproof than the familiar, all-glass "universal" model now commonly installed in out-of-doors locations.

The "hands-free" feature will come from

employing a speakerphone set instead of the conventional handset. The speakerphone's design, and customer comfort, required soundproofing on the booth's three walls. The unit will not switch from transmit to receive when the noise level is high.

To evaluate customer acceptance, Bell is testing 35 of the new booths in five cities. For maximum privacy, the speakerphone volume can be adjusted by the user.

CREDIT AND FINANCE

A computerized alert system to combat potential defaults on government-subsidized housing may be sending out warning signals to lenders early next year.

It's a program under consideration by the Department of Housing and Urban Development as a method of forestalling further increases in foreclosures of home mortgages.

Under the present system, accounts in default are reported to HUD within 60 days, which means it doesn't get the message un-

til 90 days or more after the missed payment was due.

HUD wants the lender to report to Washington after the payment is 30 days late. Facts in such a case would be fed into a computer, which would view them in the light of a number of factors, such as property characteristics and foreclosure rates.

HUD would then advise the lender whether or not the delinquent borrower is a potentially high risk and warrants special attention.

FOREIGN TRADE

Rapidly escalating production costs at copper mines that have been nationalized by foreign countries is a bright spot of sorts for U.S. producers.

Currently, these mines produce nearly 40 per cent of the world's copper output.

Analysts at Burnham & Co., the investment banking firm, believe the mines' rising expenses "should maintain or even improve American mines' relatively favorable production cost position, despite increased anti-pollution expenses at the smelters."

The aftermath of take-overs abroad has been characterized by disappointing output levels and labor difficulties, note the analysts.

At the same time there has been the expected departure of Western capital, which is needed for developing new mines and expanding and modernizing existing ones.

Rising copper demand in this country and abroad seems likely, says Burnham & Co., along with higher prices in the long term. About two thirds of the world's refined copper is consumed outside the U.S.

MARKETING

If appliance purchasers apply themselves to beforehand fact-finding, they'll have a better chance for satisfaction with what they buy.

Obvious, isn't it? But experts say many purchasers do too little investigating.

Coming to their assistance is a comprehensive handbook being published later this year by MACAP, the Major Appliance Consumer Action Panel. It will give many do's and don'ts for the prospective buyer.

Sponsored by the Association of Home Appliance Manufacturers, the Gas Appliance

Manufacturers Association and the American Retail Federation, MACAP is a group of independent consumer experts which has been surveying the appliance industry and has analyzed some 5,000 complaints.

The group has concluded that the problem is the "uninformed consumer," who needs better communication not only with the seller but with the manufacturer. Over 95 per cent of complaints have been solved, MACAP found, when communications were established between the parties involved.

Editorial

Stop, Look and Listen

At this point in an election year, everybody is talking about politics.

That's a good old American tradition. We should debate the issues.

But this is also a good time to listen. Listen to what all the candidates have to say. Analyze what they say. Are their programs good for the country? Are they good for you?

If you listen well now, you'll be better prepared to make your voice heard when it will count—in November.

Premium features...

standard in Ford's Louisville Line for more roadtime, less downtime



PREMIUM DRIVER BENEFITS

Comfortable, roomy cabs are designed to improve driver morale and efficiency; heavily insulated and cushioned to minimize noise and vibration. Optimum comfort space is provided in the important areas of floor-to-roof height, legroom, and shoulder room.

Adjustable steering column maintains best angle. Entire column rolls 4 inches fore and aft on low-friction balls. Steering wheel remains at a 20° angle—the best for driver comfort.

A Ford exclusive on L-Line linehaulers, **Cockpit instrument panel** communicates fast. Instruments are grouped by type. Hand-operated controls can be identified by "feel." **E-Z Read**

Gauges on L-Line linehaulers show normal at "3 o'clock." One quick glance lets the driver check alignment of all gauge pointers. **Premium-size windshield** is 1,515 sq. in. big

to give driver a great outlook. **Wide-track front axles** with **large wheel-cut angles** give tight turning diameters, save maneuvering time.

PREMIUM RELIABILITY

Ford's exclusive deep-dip Electrocoat prime paint process electrically bonds anti-corrosion primer to cab and sheet-metal areas ordinary sprays can't reach. Provides superior protection. **Premium-steel, single-channel frames** give strength equal to or greater than multiple-channel designs and reduce weight by hundreds of pounds. **Cross-flow radiator** allows increased core

area for improved cooling. **First truck-type power steering pump** operates at low speed for reduced wear, longer belt life. **Cyclopac® dry-type air cleaner** traps up to 99.9% of fine particles. **SplitAir® brakes** provide reserve system. Truck can be stopped in the event of air loss in either primary or secondary system. A Ford exclusive. **Double-layered nylon air tubing** is more pliable and abrasion resistant than materials ordinarily used.

PREMIUM SERVICEABILITY

Full-tilt, steel-reinforced fiberglass hood/fender assembly provides easy engine access. "feet-on-the-ground" engine servicing. Is about 40% lighter than steel. **Color-coded nylon air tubing** speeds tracing with a different color for each air-line system. **Four electrical junction blocks** at strategic points cut electrical test time, simplify testing or adding circuits. **Check-at-a-glance radiator sight gauge** permits checking coolant level without removing radiator cap. **Air-Pac control** is serviceable as a unit. Hand-operated air controls are conveniently clustered in one removable panel section.

PREMIUM CHOICE

Up to 600 models, medium- through extra-heavy-duty, permit custom fitting of truck to job. 30 gas and Diesel engines to 335 hp.

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You may forget the people, but you'll remember the Marlite paneling.

Black grillwork on a white background. Brilliant contrast, intricate design. Unforgettable. This unique Marlite wall idea is Vice Versa, a new selection of three designs in black and white. All very colorful.

They are Integrille, shown above, Upsandowns, a bold stripe, and Dewline, a strong directional pattern.

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remodeling includes more than 80 different textures, colors and designs.

You'll find one that's exactly right for your home, office or wherever. Soilproof, stain resistant, easily installed.

For the name of your nearest Marlite paneling dealer, call this toll-free number day or night: 800-631-1972 (in New Jersey dial 800-962-2803). Or write Marlite Division of Masonite Corporation, Dover, Ohio 44622.



Dewline



Upsandowns



Marlite
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